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Reagan Plans Visit To China; Talks on Weapon Sales Start

By Michael Parks
Los Angeles Times Service

BEIJING — President Ronald Reagan will visit China next April and Prime Minister Zhao Ziyang will go to Washington in January, Secretary of Defense Caspar W. Weinberger announced Wednesday at the end of his talks with Chinese leaders.

Mr. Weinberger also said that China and the United States had begun preliminary discussions on the sale of U.S. weapons and military technology to help modernize the Chinese armed forces. Among the items that might be sold to China are air-defense systems, including anti-aircraft missiles and anti-tank weapons, Mr. Weinberger said. He added that Defense Minister Zhang Aiping is expected to visit the United States soon to continue those discussions.

Mr. Weinberger's talks with Mr. Zhang and other Chinese officials have been "general discussions with general agreements in a number of areas [that should] mature very quickly into actual transfers," he said of possible arms sales. "We are fully prepared to do this."

The exchange of state visits by Mr. Reagan and Mr. Zhao early next year will mark a substantial improvement in Chinese-American relations after three years of severe strains that nearly led at one point to a break in diplomatic ties over the issue of U.S. arms sales to Taiwan.

Mr. Weinberger, who as defense secretary is in charge of those sales, said he had assured Chinese leaders that Mr. Reagan intended to honor the U.S. commitment to reduce the sales gradually and eventually to end them.

The exchange of visits was announced after Mr. Weinberger met with Deng Xiaoping, China's leader, at the Great Hall of the People. Mr. Weinberger told Mr. Deng that he had conferred with Mr. Reagan about his talks so far and that the president was pleased with the agreements reached.

Mr. Deng told Mr. Weinberger that relations between the two countries had improved and that increased contracts and exchanges would help improve them more.

"But it is more important to remove fundamental obstacles and solve substantive matters," Mr. Deng continued, according to official Chinese accounts. "There are common grounds between China and the United States, but there do exist divergencies that need to be cleared up."

The basic problem is Taiwan, Mr. Deng said, as had Mr. Zhao on Tuesday. "Once this issue is resolved," he said, "the major obstacle in Chinese-American relations will be removed, and this will benefit peace and security in Asia and the world."

■ Soviet-Chinese Talks

China and the Soviet Union will resume talks in Beijing on Oct. 6 as part of efforts to improve relations after more than 20 years of hostility, a Chinese spokesman announced Wednesday, according to Reuters. The delegations will be headed by Deputy Foreign Ministers Qian Qichen and Leonid Ilyichev.

The Associated Press

Arriving at four-sided cease-fire talks southeast of Beirut Wednesday were, left to right, Ayoub Hmeyid of the Amal group, Sharif Fayyad of the National Salvationist Front, Colonel Jean Nassip of the Lebanese Army and Jean Ghanem of the Lebanese Front. Behind them was Colonel Gordon Ferguson, the British Army's sector commander.

Druze Threat Delays Beirut Airport Reopening

By E.J. Dionne Jr.
New York Times Service

BEIRUT — The Druze militia threatened Wednesday to take military action if the Lebanese government went ahead with a plan to reopen Beirut International Airport. Hours later, the government announced that it would put off opening the airport.

The confrontation over the airport illustrated the fragility of the political situation in Beirut and underlined the difficulties that the Lebanese government is having in asserting its authority in the face of the various armed militia groups.

The events came as representatives of the government and the warring political factions met for the first time Wednesday to discuss ways of enforcing the cease-fire agreement, which took effect Monday and ended a month of warfare.

Sporadic combat continued Wednesday, but by the standards of past cease-fire agreements, the current accord has been holding relatively well.

The major violation came when gunners, apparently affiliated with the Druze Progressive Socialist Party militia, shelled a Lebanese Army position in Khalde, south of Beirut. The army did not return the fire.

In the suburbs south of Beirut, there was also more shooting between the army and the Shiite Moslem militia, and there were overnight clashes between Druze and Christian militia in the Kharroub region, 25 miles (40.5 kilometers) south of the capital.

The Lebanese Army has had great difficulty in deploying its troops in the suburbs, where Shiite militiamen have charged the Christian Phalangist militia with killing civilians. The Phalangists, in turn, point to the fact that Shiites have burned down houses belonging to Christians.

A French officer was slightly injured when a grenade was tossed at a French patrol. The grenade landed just behind a jeep carrying the officer and two paratroopers. The soldiers are in Lebanon as part of the multinational peacekeeping force, which also includes U.S. marines and British and Italian soldiers.

Reopening the Beirut airport had been one of the top priorities in the effort to restore some sense of normalcy to Lebanese life and the

(Continued on Page 2, Col. 3)

U.S. Missile Bid Is Dismissed By Andropov

By Michael Dobbs
Washington Post Service

MOSCOW — President Yuri V. Andropov dismissed President Ronald Reagan's latest proposals on limiting nuclear arms Wednesday, in one of the sharpest attacks on U.S. foreign policy by a Soviet leader in recent years.

In a lengthy statement on U.S.-Soviet relations, Mr. Andropov accused the Reagan administration of embarking on a "militarist course that poses a grave threat to peace." He questioned U.S. sincerity in arms control negotiations and warned that the Soviet Union would respond to any attempt to disrupt the strategic balance.

In the same statement, Mr. Andropov commented for the first time on the Soviet shooting down Sept. 1 of a South Korean airliner. He blamed Washington for what he called "a sophisticated provocation masterminded by U.S. special services" and "an example of extreme adventurism in politics."

He also said the United States had exploited the furor surrounding the incident to step up the arms race.

Western diplomats who heard Mr. Andropov's statement, which was read by an announcer as the first story on the television news, expressed surprise at the virulence of his language and the bleakness with which he depicted the state of international relations.

Mr. Andropov lashed out at past and present U.S. policies from Central America .o Lebanon to what he depicted as attempts to stir up militarism in Japan. On the central issue of arms control, he said the United States was unwilling "to conduct serious talks of any kind" and was simply playing for time at negotiations in Geneva on strategic and intermediate nuclear weapons.

Mr. Andropov also questioned the suitability of the United States to act as host for the United Nations and warned West European leaders that they were being used by the Reagan administration as political "hostages."

One of the main messages in the 3,000-word statement was that the Kremlin would show no weakness in responding to any threat from abroad. Mr. Andropov said that people who had attempted to undermine the Soviet Union's independence or system in the past had landed on "the garbage heap of history."

"The Soviet people can rest assured that our country's defense capability is maintained at such a level that it would not be advisable for anyone to stage a trial of strength," he said.

The statement began with the words: "The Soviet leadership deems it necessary to make known to the Soviet people, other peoples, and all those who are responsible for shaping the policy of states its assessment of the course pursued in international affairs by the present U.S. administration.

"Put briefly, this is a militarist course that poses a grave threat to

(Continued on Page 2, Col. 6)

The Associated Press

Deng Xiaoping and Caspar W. Weinberger conferring Wednesday in Beijing's Great Hall.

U.S., Allies Want UN To Aid Lebanon Truce

By Don Oberdorfer
Washington Post Service

NEW YORK — The United States and its European partners in the multinational force in Lebanon have proposed that the United Nations play a role in supervising the new cease-fire in Lebanon, but their suggestion was being resisted by Syria.

The U.S.-European view was made public Tuesday following a meeting of Secretary of State George P. Shultz with the foreign ministers of France, Italy and Britain, the other contributors to the peacekeeping force that has been in the Beirut area for the past year.

The cease-fire reached Sunday between the Lebanese government and warring factions is to be policed by "neutral observers," according to the Lebanese government announcement. But there has been no agreement about who these observers will be.

John R. Hughes, the U.S. State Department spokesman, said Mr. Shultz and his colleagues agreed that, if possible, the observers should have "an affiliation with the United Nations ... in some way not yet specific."

Mr. Hughes discouraged any speculation that the multinational force, including U.S. Marines, might expand its role and territory to supervise the cease-fire in the mountains near Beirut. U.S. officials said that American troops would not be considered "neutral enough" for such a mission.

The British Foreign Secretary, Sir Geoffrey Howe, said a United Nations affiliation was desirable because of the organization's experience. Sir Geoffrey suggested that the cease-fire observers may be needed for a long time, longer than the multinational force, "which hopefully has come close to its conclusion."

The outsiders sought to supervise the truce would be "observers" who would be lightly armed and not in a position to interpose themselves between rival fighting forces. This would distinguish them from the more heavily armed "peacekeeping force" composed of U.S. Marines and European forces.

U.S. sources said Syria was initially negative about a UN role in supervising the truce, although there were some suggestions that this was not a final position and that Syria hopes to use its leverage to pick and choose among the possible participants in an observer force.

The most likely UN organization to be involved would be the United Nations Truce Supervision Organization, which was created following the first Arab-Israeli war in 1948. Its complement of about 300 observers includes 50 who are currently stationed in and around Beirut. The organization's ranks include 37 Americans and 34 Russians.

An expansion of personnel and role might not require a full vote of the Security Council but UN officials are reported to have concluded that it would require the concurrence of Security Council members. This would be difficult if Syria objects, because the Soviet Union, a permanent member of the council, is expected to support Syria's position.

The Soviet Union was reported to be leaning against a UN role in a cease-fire force but had not yet transmitted a clear official position, UN sources said.

The Associated Press

BOWING OUT — Bruno Kreisky, 72, the former chancellor, acknowledged the applause of deputies in the Austrian assembly Wednesday after his farewell speech. Mr. Kreisky dominated Austrian politics as chancellor for 13 years until his Socialist Party lost its absolute majority in elections in April. He has been in deteriorating health, and he is expected to relinquish both his party chairmanship and his seat in parliament.

Mitterrand Says a Tax on Big Powers Could Aid Third-World Development

Compiled by Our Staff From Dispatches

UNITED NATIONS, New York — President François Mitterrand suggested Wednesday that the big military powers could be taxed to create a development fund for Third World nations.

Mr. Mitterrand told the United Nations General Assembly that underdevelopment was the cause of world political tensions and had to be attacked at the root. He said France would be prepared to play host to an international conference under UN auspices to discuss that and other ideas and to create an international disarmament and development fund.

He said the Soviet Union had created new risks in Europe by deploying intermediate-range nuclear missiles trained on West European targets.

Describing France's 98 nuclear-tipped missiles as an independent deterrent force, he again rejected a Soviet demand that the weapons be included in the current Geneva negotiations on medium-range missiles.

"It is unacceptable to include the central defense system on which the independence and survival of my country rest with the intermediate-range forces of the two superpowers, which in their case merely complement their formidable strategic arsenals," he said.

Referring to the French contingent of the multinational force in Lebanon, Mr. Mitterrand reminded critics that the troops had gone to Beirut to "ensure the departure, with dignity" of Palestinian fighters last year and "then safeguarded the survivors of the tragic camps of Sabra and Chatila."

Departure of Syrian and Israeli troops from Lebanon, he said, "will render continued international security arrangements superfluous."

As to French troops in Chad, Mr. Mitterrand said France was supporting mediation efforts by the Organization of African Unity to guarantee Chad's territorial integrity and the withdrawal of Libyan forces. Once these goals are achieved, he said, France will "not delay the repatriation of its troops by one hour."

Mr. Mitterrand also said that France had decided to open its underground nuclear test site at the Mururoa Atoll to a fact-finding visit by scientists from South Pacific countries next month and called on the nuclear powers to follow the example.

Prime Minister Indira Gandhi of India, speaking to the General Assembly on behalf of the 100 nonaligned nations, called for a nuclear weapons ban and a new economic order.

"Nuclear-weapons powers owe it to humanity to renounce the use or threat of use of nuclear weapons in any situation whatever," she said. As a first step, they should ban the production and testing of all nuclear armaments.

Mrs. Gandhi said the present world economic order was based on domination and inequality. Helping developing countries is not mere largesse and would directly benefit the richer nations, she said.

New Members Get 40% of Seats In Kenyan Parliamentary Elections

Reuters

NAIROBI — Almost 40 percent of Kenya's one-party parliament changed as a result of elections this week as voters defeated many incumbents.

Election officials said results from 147 of the 153 constituencies contested in Monday's general election showed that 57 seats would be held by new members. The overwhelming majority defeated outgoing representatives.

All candidates were members of the country's sole political party, the Kenya African National Union.

In only in a handful of cases did sitting members not stand for reelection. One such vacant seat was the town of Kikuyu near Nairobi, which was previously held by the suspended minister of constitutional affairs, Charles Njonjo.

Mr. Njonjo is awaiting the opening of a judicial investigation into accusations in parliament that he was being groomed by an unnamed foreign power to replace President Daniel Arap Moi.

The seat was easily won by Peter Kinyanjui, former chairman of the Kenya Ports Authority. Local newspapers said he had Mr. Njonjo's discreet but influential backing.

Although complete figures were not available, there appeared to have been an unusually high rate of abstention.

Nearly 68 percent voted in the 1979 general election but preliminary figures showed that this time the abstention rate could be around 50 percent.

Of the 25 cabinet ministers standing for re-election, two were unopposed, 18 were re-elected and five were defeated. To retain their cabinet posts, ministers must retain their seats in parliament. Seven cabinet members were defeated in the 1979 poll.

The full Kenyan National Assembly is comprised of 172 seats, including 12 that can be filled by presidential decree and others reserved for top administration figures.

INSIDE

An Old Story Makes Grimm News

Fairy Tale Comes to Light After 150 Years in Hiding

By Edwin McDowell
New York Times Service

NEW YORK — After more than 150 years, Hansel and Gretel, Snow White, Rumpelstiltskin and Cinderella will be joined by another Grimm fairy-tale character.

The character, referred to simply as a little girl, is the central figure in a tale, discovered in recent years, that was written by Wilhelm Grimm, who with his brother Jakob published the world-famous collection of folk tales known as "Grimm's Fairy Tales."

The tale is the first addition to the 210 fairy and folk stories compiled by the renowned German folklorists and published in two volumes between 1812 and 1815.

Moreover, the work is thought to be the only original manuscript by either of the brothers Grimm outside the Bodmer Library in Geneva.

"The new manuscript should also be of great interest to scholars," said Peter Demetz, Sterling professor of German languages and literatures at Yale University. "The Grimms are among the major figures of 19th-century culture and civilization."

The tale, written in Wilhelm Grimm's crimped handwriting and addressed in 1816 to "Dear Milli," has an uncharacteristic introduction in which the author explains that two human hearts can find each other over great distances.

He adds that although they have not met, he is already fond of her and knows that she would like him to tell a story. Whereupon he writes, "Once upon a time," and proceeds with a tale of about 2,500 words.

"As far as we can tell, the manuscript was in the possession of the family of this little girl," said Michael di Capua, editor in chief of Farrar, Straus & Giroux, which has purchased the 167-year-old unpublished manuscript and plans to publish it in about a year, with illustrations by Maurice Sendak.

Milli's family consigned the manuscript in 1974 to J.A. Stargardt, an auction house in Marburg, West Germany. It sold the work on June 12, 1974, to Martin Bresslauer, a New York dealer specializing in rare manuscripts and books, who had outbid the Bruder Grimm Museum in Kassel, West Germany.

Mr. Bresslauer, in a telephone interview Tuesday, said he listed the manuscript for sale in his catalogue five years ago for $21,000 but found no buyers.

Mr. Bresslauer said he then put the manuscript in a bank in New York. "I forgot all about it," he said, "because I have quite a lot of books. Earlier this year, Justin Schiller told me he was publishing a catalogue of children's books and asked if he could include this. I generally don't do that sort of thing, but I let them have it on consignment for $26,000."

The Schiller company, a New York dealer specializing in early children's books, listed it for sale in its catalogue, along with about 200 other children's books, manuscripts and related drawings.

"We knew that publishers would be very interested in it, and they were," said Raymond M. Wapner, a Schiller partner.

Farrar, Straus & Giroux moved quickly to purchase the tale, buying it, Mr. Di Capua said, for "a substantial five-figure price."

Mr. Wapner wrote to Mr. Di Capua that each previous source "guarantees the letter to be as represented," and the Schiller company also guaranteed in writing that the manuscript had never been published, promising to refund the payment in full "if this is ever found not to be the case."

Farrar, Straus said that it planned to publish the book next fall or early in 1985.

The story tells of a mother who sends her daughter into the woods to save her from impending war.

The child is led by her guardian angel to the hut of an old man who gives her shelter, and whose kindness she repays by serving him faithfully for what she thinks are three days but which are actually 30 years. When she finally leaves, he reveals himself to be St. Joseph and gives her a rosebud, saying that she will return when it is fully bloomed.

The guardian angel returns the child to her aged and still heartbroken mother.

"They sat together the whole evening in great joy, then went to bed serenely and calmly," the story says, "but the next morning the neighbors found them both dead; they had blessedly departed this life, and between them lay the rose of St. Joseph in full bloom."

Lorousse

The brothers Grimm: Jakob, left, and Wilhelm.

100 Held in Brussels Protest

Reuters

BRUSSELS — More than 100 protesters were arrested Wednesday after blocking the entrance to a military electronics exhibition here, police said.

Soviet Welcomes Truce in Lebanon

Kremlin Seems Satisfied With Syrian and Druze Gains

By Michael Dobbs
Washington Post Service

MOSCOW — The Soviet Union has praised the cease-fire in Lebanon in an apparent sign of satisfaction at the diplomatic and territorial gains registered by Syria and the Druze Moslems in the long-running civil war.

The important role played by Syria in negotiating the agreement has been cited by Soviet officials as one factor in explaining the Kremlin's unusually positive reaction. Syria is Moscow's principal ally in the Middle East and a major recipient of Soviet weaponry.

Other elements in the Soviet attitude include a wish to avoid unpredictable conflicts in a sensitive region close to its borders and satisfaction at what appears to be a change in the internal balance of power in Lebanon. Western diplomats have noted that the Soviet media have again started mentioning the name of the Lebanese president, Amin Gemayel, over the past few days after a period of ignoring him and his government.

Against these favorable developments from Moscow's point of view must be set the continuing presence of U.S. combat troops in Lebanon, which is perceived here as a threat. One of the main aims of Soviet policy has been to avoid the construction of permanent U.S. military bases in the Middle East.

Despite the involvement of the Syrians in the cease-fire talks, there is still no evidence that the Kremlin is any closer to its long-term goal of winning a place for itself at the negotiating table. Soviet spokesmen have made plain their belief that there can be no lasting peace settlement in the Middle East without their participation.

The United States remains opposed to Soviet involvement in such negotiations on the ground that the Kremlin has not shown that it is prepared to take a "constructive attitude."

The first sign of an adjustment in the Soviet position on Lebanon

NEWS ANALYSIS

came in a speech Tuesday by Foreign Minister Andrei A. Gromyko in which he described the cease-fire as having "positive significance." A statement issued by the news agency Tass Wednesday went one step farther by saying that "an indispensable step" had been taken "toward restoring peace, tranquility and normal life" in Lebanon.

Official Soviet statements have gone on to demand the withdrawal of both Israeli occupying troops and the U.S.-backed multinational force. Tass has accused the U.S. Marines of "direct armed intervention" and depicted the United States as hand in glove with Israel.

Earlier, the Soviet news media had reported the cease-fire without comment. Middle East analysts here noted that the change occurred after the arrival in Moscow Tuesday of the South Yemeni president, Ali Nasser Muhammed, who was believed to be carrying a message from Damascus about the latest diplomatic moves in Lebanon.

The more positive tone of Soviet statements also seems to reflect some satisfaction at the way events have moved in the Middle East since Israel's invasion of Lebanon last year. The clear superiority of U.S. military technology in the hands of the Israelis over Soviet tanks, planes and rockets used by the Syrians and Palestinians was widely regarded as a blow to Soviet prestige.

Since then, the Russians have rearmed Syria with large quantities of sophisticated military equipment, including an upgraded air defense system based on a network of SAM-5 ground-to-air missiles. According to testimony given to the U.S. Congress by Secretary of State George P. Shultz, around 7,000 Soviet military advisers are now in Syria manning those missile batteries.

All in all, Soviet strategists seem to have made some progress toward their goal of gradually rebuilding Moscow's standing as an influential power in the region, a standing that had been undermined by successive Israeli victories over the Arabs and political setbacks in such countries as Egypt and Somalia. They have also managed to score propaganda points with other Arab countries by attacking U.S. involvement.

Echoing a constant Soviet theme, Mr. Gromyko described U.S. policy in the Middle East as "hostile toward the Arabs." He said the U.S. Marine Corps was behaving openly as an occupying force and was no different from "the colonizers of the past who enslaved peoples by sword and fire."

The Associated Press

Agapito Aquino, brother of Benigno S. Aquino Jr., the slain opposition leader, sprinkles holy water on the coffin of a Manila man who was killed in an anti-government demonstration last week. Wednesday's memorial service was followed by a protest march.

Marcos Arrest Threat Cools Protests Against Him by Manila Businessmen

By William Chapman
Washington Post Service

MANILA — President Ferdinand E. Marcos's threat to arrest businessmen who demonstrate against him seems to have chilled protests in Manila's financial district, although top business leaders profess to be unworried.

Since the president's stern warning Sunday, the financial center, Makati, has been generally quiet, in contrast to the four days of raucous protests in the previous two weeks when thousands of office workers called on Mr. Marcos to resign.

In one of his toughest addresses, Mr. Marcos went on television to warn businessmen who had joined the protests that they would be tracked down and arrested.

"Yes, a lot of people are scared," said one middle-ranking executive in Makati on Wednesday.

Through telephone calls from office to office, the word was spread Wednesday that a lunchtime demonstration would take place in the financial district, a wide street bordered by tall office buildings. No one showed up to start a rally, although many people passing in cars honked horns in an attempt to start a "noise barrage."

On Wednesday afternoon, rumors spread feverishly through the district that government agents were showing up in some offices with photographs of persons sought for demonstrating last week.

No one could be found who had actually seen the agents. But office workers in one building were hastily getting rid of printed copies of anti-Marcos manifestos that had circulated widely for two weeks.

Few if any top executives of Manila corporations were directly involved in the recent protests, judging from interviews with them this week. Many are extremely critical of Mr. Marcos privately, but none of those interviewed said he believed demonstrations would achieve the goal of forcing him to resign.

Enrique Zobel, one of whose companies had been specifically cited by Mr. Marcos as harboring demonstrators, said publicly that he was not worried.

"I'm afraid of nobody because my conscience is clear," Mr. Zobel said Tuesday at a business club meeting when asked about the president's remarks. He refrained from criticizing Mr. Marcos personally, but said the government has a huge "credibility problem," largely because Mr. Marcos is being given bad advice on handling the crisis over the murder of Benigno S. Aquino Jr., the Philippine opposition leader.

Mr. Aquino was slain at Manila International Airport on Aug. 21 as he stepped from a plane returning him to the Philippines after three years of self-imposed exile in the United States.

Another top corporation president, who requested anonymity, said he considered protests futile because they would not force Mr. Marcos to resign. "The only way he will come out of there," he said, referring to the presidential palace, "is to be carried out in a box."

He said he believed that Mr. Marcos's threatening remarks only served to demonstrate his increasingly erratic behavior. "One minute he is being tolerant and not threatening anyone and the next he's saying, 'We'll get you if it takes all year,'" the businessman added.

Like many executives, he is placing his hopes of restraining the president on a so-called council of national reconciliation, which is being promoted by Cardinal Jaime L. Sin, the Roman Catholic archbishop of Manila. He said the church, businessmen, government technocrats and some professionals in the military could combine to exert pressure on Mr. Marcos through what he called "this council of elders."

Mr. Marcos's television appearances have become almost daily occurences the past week. They usually appear first at noon and are then repeated several times on the government-controlled station in Manila.

His message on Wednesday assured viewers that the government was proceeding normally, despite what he called the efforts of some to "create a revolutionary atmosphere."

Druze Delay Reopening of Beirut Airport

(Continued from Page 1)

country's economy after a month of war. With the possibility of air travel cut off, thousands of travelers were forced to journey to and from Lebanon by way of Cyprus.

The government had announced it would reopen the airport on Thursday. But in a statement issued in Beirut, the Progressive Socialist Party, which is supported by Syria, charged that the airport had been used as a takeoff point for Lebanese Air Force planes that bombed Druze positions in the mountains.

The socialist party said it would consider reopening the airport as "a serious violation of the cease-fire." The Druze militia added that it would "reply in strength and firmness to any attempt to reopen the airport." The Lebanese government has denied that it used the airport for military actions.

A government official explained that the whole question of the airport reopening would come up at the second meeting of the cease-fire committee on Thursday.

The incident suggested that the military strength of the various private militia groups, particularly the Syrian-backed Druze, could pose President Amin Gemayel's government with a series of unpleasant choices between preserving the cease-fire accord or having its freedom of action seriously constrained.

Wednesday's meeting of the cease-fire committee brought together representatives of the government and the three main political tendencies that have militia: the Phalangists, the Shiite group Amal, and the National Salvationist Front, of which the Progressive Socialist Party is a leading member.

The meeting had been postponed on Tuesday, when the parties could not agree on what constituted a "neutral" meeting place. That question was resolved as the representatives met in an abandoned bank building in a largely deserted area between the Christian village of Kfar Shima and the Druze-held town of Schweifat.

Government officials and opposition sources said that the representatives had agreed to assist the Red Cross in its work, and discussed ways of ending the kidnapping of members of one sect by members of another.

■ **Syrian Accuses U.S.**

Syria's foreign minister, Abdul Kalim Khaddam, Wednesday accused the United States and its allies in the Lebanese multinational force of seeking to restore colonialism in the Middle East behind a screen of U.S. aircraft carriers, United Press International reported from the United Nations.

Before the General Assembly, Mr. Khaddam attacked the United States half a dozen times for its Middle East policies.

WORLD BRIEFS

Greece Pulls Out of NATO Maneuvers

ATHENS — Following Prime Minister Andreas Papandreou's decision to withdraw Greek forces from the North Atlantic Treaty Organization's current maneuvers in the eastern Mediterranean, the Greek government canceled Wednesday a NATO landing exercise scheduled for Saturday in southwestern Greece.

Dimitri Maroudas, the government spokesman, said Tuesday that NATO's decision to exclude the northeastern Aegean island of Lemnos from a later phase of the monthlong maneuvers was the cause of the Greek withdrawal.

Greece insists that Lemnos, the site of a major Greek Air Force base, should be included in the exercises. However, Turkey objects, asserting that Lemnos was militarized in defiance of international conventions. Greek forces were participating with U.S., British, Italian and Turkish troops in the exercise, which began Sept. 17.

U.K. Paper Cites Maze Bribe Charges

BELFAST (UPI) — A London newspaper reported Wednesday that Maze prison guards believed that some of their colleagues had been bribed to smuggle in weapons for the 38 convicts who escaped from the jail on Sunday.

"Prison officers in the Maze believe that some of their colleagues accepted £10,000 [$15,000] to smuggle in at least five handguns and a shotgun," the Daily Telegraph said. But John Hall, chairman of the Ulster Prison Officers Association, said: "There was no collusion. That is a complete fabrication."

The allegations came after police captured two more escaped convicts, bringing the number of fugitives caught to 19. Hugh Corey, 27, and Patrick McIntyre, 25, surrendered when the police surrounded their hideout at an isolated farmhouse 30 miles (50 kilometers) south of the Maze.

House Rejects 60-Day Marines Limit

WASHINGTON (AP) — A compromise resolution allowing President Ronald Reagan to keep 1,600 U.S. marines in Lebanon cleared a major hurdle Wednesday as the House of Representatives rejected an amendment that would have denied the president the authority to keep the marines there for 18 months.

The House defeated, on a 272-158 vote, an amendment that would have required the president to invoke the 60-day limit of the War Powers Resolution or assure Congress that a cease-fire was in effect and that progress has been made toward a political settlement of the Lebanese civil war.

Unless he did so, Congress would have cut off the money for support of the 1,600 marines who have been in Lebanon for a year as part of a multinational peacekeeping force.

6 South African Guards Sentenced

WITBANK, South Africa (Reuters) — Six South African prison guards convicted of brutally assaulting prisoners, three of whom died, were sentenced Wednesday to one to eight years in prison.

Judge D.O. Vermooten told the men at the end of the widely publicized five-week trial that he had considered the death sentence, saying: "You are heroes of the truncheon who assaulted unarmed and defenseless prisoners on a large scale."

Evidence at the trial indicated that the guards, four white and two black, took 34 convicts from a prison in the Transvaal town of Barberton to a prison farm. There, the prisoners were repeatedly beaten with rubber truncheons and denied water as they pushed heavy wheelbarrows up a slope on a hot day last December.

21 Ex-Captives Land in South Africa

JOHANNESBURG (UPI) — A group of 21 Portuguese and Angolans held for more than six months by anti-government rebels in southern Angola arrived Wednesday at the Johannesburg airport on their way to Portugal.

A Red Cross official said 35 other captives remained behind. The group, including six children, landed in a Lockheed C-130 transport chartered by the Red Cross. They were flown from a remote airstrip after crossing from Angola into northern Namibia, or South-West Africa.

Six of the 21 had been imprisoned by Angola on suspicion of aiding the rebels. "I don't deny it," said Zindo Rodrigues, who farmed at Quibala, about 100 miles (160 kilometers) south of Luanda. Officials said the group would be flown to Portugal on Saturday after being issued travel documents.

Drownings Feared in Lake Nicaragua

MANAGUA (AP) — A boat carrying more than 100 people burned and sank in Lake Nicaragua before dawn Wednesday, and rescuers feared some of the passengers drowned, the Red Cross said.

Chester Colson, vice president of the Red Cross in the city of Granada, said the boat sank near the island of Altagracia, about 30 miles (48 kilometers) southeast of Managua.

Another boat, which was close to the sunken vessel, managed to rescue some people, Mr. Colson said. "One of the sailors told us that some others drowned."

For the Record

The town council of Woensdrecht, the Netherlands, has turned down the Defense Ministry's request for a land-use planning change to allow construction of bunkers for the 48 medium-range NATO missiles alloted to the Netherlands. The ministry said Wednesday that it would circumvent the local ruling through laws empowering the central government to protect the national interest. (AP)

The Dutch government restored landing rights Wednesday to the Soviet airline Aeroflot, two weeks after lifting them to protest the Soviet Union's downing of a South Korean airliner on Sept. 1. (AP)

About 70 veterans of the International Brigade in the 1936-39 Spanish Civil War held a reunion Wednesday at Communist Party headquarters in Madrid with Dolores Ibarruri, 87, the Marxist heroine known as "La Pasionaria," who bade them farewell 45 years ago. The group, with an average age of 68, came from the United States, France, Canada, Italy and Yugoslavia. (Reuters)

Correction

Because of an editing error, a wire service report on factors in the spread of AIDS published in the Herald Tribune on Sept. 10 misrepresented recent research by three U.S. doctors. The article should have said that in two cases of acquired immune deficiency syndrome, the doctors had concluded that intimate heterosexual contact was a possible factor in the spread of the disease to low-risk segments of the population.

Andropov Dismisses Reagan Missile Plan

(Continued from Page 1)

peace. Its essence is to try to assure for the United States domineering positions in the world without reckoning with the interests of other states and peoples."

While Soviet rhetoric against the United States has reflected the detioration in relations between the superpowers, diplomatic observers here could not recall a precedent for the sweeping nature of Mr. Andropov's attacks.

The Soviet leader seemed to rule out all hope of any breakthrough in the Geneva talks on intermediate-range nuclear weapons on the basis of present U.S. proposals. He said that the past two years of talks in Geneva had proved that U.S. negotiators were not ready to reach an agreement.

"Their task is different — to play for time and then start the deployment in Western Europe of ballistic Pershing-2 and long-range cruise missiles. They do not even try to conceal this. All this is prattle about some flexibility of the United States," Mr. Andropov said.

Dismissing Mr. Reagan's proposals Monday at the UN General Assembly, Mr. Andropov said: "We are being asked to talk about how to help the NATO bloc upset the balance of medium-range nuclear systems in the European zone to its advantage. And this is presented barefacedly as something new."

■ **Bush on U.K., French Arms**

Don Oberdorfer of The Washington Post reported Wednesday from Washington:

The question of the British and French nuclear forces in Europe must eventually be answered in arms control negotiations with the Soviet Union, Vice President George Bush said Wednesday.

Mr. Bush, in a meeting with reporters, said he did not advocate inclusion of the British and French weapons in the current U.S.-Soviet negotiations on medium-range forces in Europe.

■ **Mitterrand Reserve Seen**

President François Mitterrand of France has reservations about the new U.S. proposals for curbing medium-range nuclear arms in Europe, Le Monde reported Wednesday.

Reuters quoted the newspaper as saying that Mr. Mitterrand, who was informed by letter on Sept. 10 of Mr. Reagan's negotiating shift, had told cabinet members Tuesday that "the United States would be wrong to give up insisting on a cut in the number of SS-20s."

Nicaragua Has Appealed 'Everywhere' to Obtain War Jets, Sandinist Says

By Karen DeYoung
Washington Post Service

WASHINGTON — Nicaragua has sent urgent appeals "everywhere" for combat aircraft to bolster its defenses against attacks by CIA-backed rebels, but "the United States has put ample pressure" on its Western allies to turn down the requests, according to Daniel Ortega Saavedra, the Sandinist leader.

Leaving open the possibility that the Sandinists would turn to the Soviet Union to build the air force they say is necessary to counter rebel air attacks and potential confrontation with neighboring Honduras, Mr. Ortega said in an interview that he saw "no reason why the brand name of the planes should worry the United States."

The Sandinists have received substantial quantities of arms from the Soviet Union and Soviet-made weapons from other countries. But they have virtually no air force. The Honduran Air Force is the best-equipped in Central America.

While Nicaragua receives economic assistance from Western Europe, its only substantial arms transaction with the West involved a $15.8-million purchase of helicopters and other equipment last year from France.

The Socialist government of President François Mitterrand disapproves of U.S. policy in Central America. But it has tempered its public criticism this year because of ongoing low-level disagreements with the Reagan administration in other areas that are considered more immediately vital, and because it has concluded that Central America remains within the "U.S. sphere of influence," according to French officials in interviews over the past year.

Although France has remained on friendly terms with the Sandinists, and two weeks ago received a visit from Interior Minister Tomás Borge Martinez, the Mitterrand government has let it be known that it will not entertain further requests for arms sales to Nicaragua.

Questioned on U.S. warnings about any Nicaraguan acquisition of Soviet planes after reports that Sandinist pilots had trained in Bulgaria on Soviet MiG-23s, Mr. Ortega said, "There have been so many threats from the United States, we lose track of them."

Mr. Ortega, speaking in an interview Monday night in New York, said that instead of Nicaraguan defense procurement, "what ought to concern the United States is that it was incapable of giving an adequate response to the political and social problems" of Central America in the past, and is now reaping the results.

"The Nicaraguan revolution is the fruit of bad U.S. policy," including decades of support for the Somoza dictatorship overthrown by the leftist Sandinists in 1979, he said.

One of the nine members of the ruling Sandinist National Liberation Front, Mr. Ortega also serves as coordinator of the three-man government junta and is in effect the head of state. On Tuesday, he addressed the UN General Assembly in New York.

His interview was one of a wide range of contacts planned during the New York visit that Mr. Ortega said he hoped would help influence U.S. public and congressional opinion.

Acknowledging that outside interest in Nicaragua, and outside opposition to U.S. policy there, had appeared to wane in recent weeks, he said an "appeal to international public opinion, and U.S. domestic opinion" was one of the few ways left to avoid a direct confrontation between Nicaragua and the United States.

Nicaragua's current policy, Mr. Ortega said, is "to continue promoting dialogue, a political solution to the problems" of Central America. But the U.S. answer so far to Nicaraguan peace overtures, he said, has been warships, "North American soldiers to surround us, and now, planes to bomb us."

The Sandinists have publicly offered to discuss all issues between them and the United States, including their support for guerrillas fighting the U.S.-backed government in El Salvador and the presence of what the administration says are as many as 2,000 Cuban military advisers in Nicaragua. But there has been virtually no progress toward substantive dialogue.

As a result, Mr. Ortega said, Nicaragua also is "going to have to fortify our efforts in defense and prepare ourselves to confront an eventual North American intervention."

Last week, Reagan administration officials reportedly told Congress that their goal in Nicaragua was no longer merely to stop alleged arms shipments to El Salvador, but to harass the Sandinists internally as an inducement to stop their alleged support of subversion in other countries.

In his speech at the United Nations, Mr. Ortega said that in "January 1981, the new U.S. administration declared war on the people of Nicaragua."

Enumerating alleged U.S. offenses, he listed "203 spy flights and 512 violations of Nicaraguan airspace" and 34 violations of territorial waters.

He said 717 Nicaraguans had been killed in attacks by U.S.-backed rebel forces since 1981, while the Sandinists have "annihilated 1,636" rebels.

Honduras Blames Nicaragua

In Stockholm, the visiting Honduran foreign minister, Edgardo Paz Barnica, accused Nicaragua on Wednesday of giving military training to 2,500 Honduran antigovernment guerrillas, Reuters reported.

Mr. Paz Barnica told a press conference that 500 of the guerrillas had crossed the border into Honduras in the last few weeks.

He said some of them had surrendered to the authorities and provided information on the guerrilla training being given by the Nicaraguan Army, and that 2,000 more Honduran guerrillas were still being trained in Nicaragua, he said.

United Press International

Agricultural workers and their political allies march to central San Salvador to show support for legislation backing the nation's embattled land redistribution program.

Salvador Farm Workers Rally for Land Reform

New York Times Service

SAN SALVADOR — About 15,000 farm workers and their supporters from the moderate Christian Democratic Party have held a march and rally in support of El Salvador's land redistribution program.

"Friends, do we want agrarian reform?" a labor leader asked the crowd at the rally Tuesday. "Yes!" they answered waving their hats. "Friends, do we want the land for those who work it?" Again the crowd shouted a thunderous, "Yes!"

The Constituent Assembly is to debate next week three draft articles of the new constitution that the farm workers and their supporters say could seriously set back the country's land redistribution program.

The marchers — about 11,000 farm workers and 4,000 Christian Democrats — walked 14 blocks from a city park to Liberty Park in the center of the city. At the rally, directors of the Popular Democratic Union, an umbrella group that organized the rally and represents 200,000 farm workers, asked the Constituent Assembly to support land redistribution.

Leaders of the country's six political parties agree that it would be difficult for the assembly to compromise on the articles. The deputies are split, 30 for redrafting the articles to support the land program and 30 against changing them.

Despite fears that Tuesday's demonstration would be disrupted by either the far right or the left, it proceeded peacefully.

Jorge Camacho, one of the directors of the Popular Democratic Union, has received telephone threats and warnings to leave El Salvador in the last two weeks. However, at the rally Tuesday, he ran up through the line of marchers leading chants. He wore a bulletproof vest under his shirt.

"You see what we can do," he said.

Burford Denies Acting Wrongly as EPA Chief

By Howard Kurtz
Washington Post Service

WASHINGTON — Anne McGill Burford, in one of her first public statements since she resigned as head of the Environmental Protection Agency in March, contends that she did nothing improper in office.

In testimony prepared for delivery Wednesday before a subcommittee of the House Energy and Commerce Committee, Mrs. Burford denied that she had delayed a proposed $6-million cleanup grant for the Stringfellow Acid Pits in southern California because the grant would have helped former Governor Edmund G. Brown Jr., a Democrat, in his race for the U.S. Senate.

Mrs. Burford said she had first learned "anything of substance" about the Stringfellow grant when she was flying to California last year to announce the grant at a press conference.

After reviewing briefing materials, she said, she decided to delay the grant because she questioned why California was not sharing half the cost and why no enforcement action had been taken against corporations that had deposited hazardous wastes at the dump.

She also said "there was no imminent threat to public safety or welfare," a point that California citizens' groups have disputed.

A U.S. Justice Department report last month, while concluding that there was "no competent evidence" that Mrs. Burford had held up the grant for political reasons, said there was conflicting testimony about her actions.

The report said two witnesses attending a luncheon aboard a yacht in August 1982 recalled Mrs. Burford's suggesting that she would delay the Stringfellow grant to avoid aiding Mr. Brown's campaign. A White House memo also reported that Mrs. Burford had said, "I'll be damned if I am going to let Brown take credit for that."

Mrs. Burford, questioned by the committee about the memo, said she did not recall making the specific statement but admitted: "I may well have made a flip statement about Governor Brown at that time. But it had absolutely nothing to do with my decision not to make the Stringfellow grant in July of last year."

She also testified that she had been "prudent" in using the EPA's $1.6-billion Superfund for cleaning up hazardous wastes, but she conceded that critics have assailed her for moving too slowly and said that "not all of this criticism is undeserved."

Mrs. Burford also said she had delayed placing hazardous abandoned mining sites on the EPA's priority Superfund cleanup list because the law had beeen unclear on that point. She acknowledged that this had led to criticism that the EPA had ignored asbestos contamination at a Globe, Arizona, mobile home park. The agency offered to buy out the park's residents after Mrs. Burford resigned.

She said she rejected attempts "to construe my position on the mining waste issue as a case of bowing to the supposed influence of the mining industry."

Governors Call Reagan Strong in South

By Paul Taylor
Washington Post Service

AUSTIN, Texas — In the three years since President Ronald Reagan carried every Southern state except his opponent's native Georgia, Republican fortunes — except for his own — have generally gone sour through the region.

The Democrats picked off Virginia's governor's mansion in 1981 and two more, Texas and Arkansas, last year. If former Governor Edwin W. Edwards unseats the Republican incumbent, David C. Treen, in Louisiana on Oct. 22 — and the polls show him in the lead — it would reduce the ranks of Republican Southern governors to Lamar Alexander of Tennessee.

Moreover, the region's 1984 U.S. Senate races seem equally ripe for the Democrats. Tennessee, North Carolina and Texas head the party's list.

But a discordant note emerged from the political talk at a three-day meeting of the Southern Governors Association here. Almost to a man, the chief executives said they believed Mr. Reagan is as strong or stronger in their states than he was in 1980.

"If the election were held today, he'd be the favorite in most of the Southern states he carried in 1980," said Governor Charles S. Robb of Virginia, a Democrat, who is association chairman.

Mr. Alexander said that if Mr. Reagan's Democratic opponent in 1984 is Senator John H. Glenn the race might be as close in Tennessee as it was in 1980, when Mr. Reagan carried the state by just 4,710 votes, but if his opponent is former Vice President Walter F. Mondale, the margin would be higher.

"Reagan is still personally popular in North Carolina, and if the economy keeps getting stronger, he'll be in better shape," Governor James B. Hunt of North Carolina, a Democrat, said.

"He's still strong in Florida," Governor Robert Graham, a Democrat, said.

The only governor here who seems eager to take on the president is the host, Governor Mark White of Texas, a Democrat. But instead of attacking the president's economic policies, as the Democrats did in 1982, Governor White is focusing his barbs more narrowly.

He criticized Mr. Reagan for failing to assist drought-stricken west Texas ranchers and likened the administration's modest aid package to south Texas, where the border economy has been ravaged by devaluation of the Mexican peso, to "the emperors of Rome handing out aspirin to the Christians after they've been mauled by the lions."

That sort of oratory is rare among Southern Democrats now, however, and for good reason.

A poll of 1,000 Southern voters taken at the end of July by Darden Research, an Atlanta polling firm, showed Mr. Reagan's approval rating on the handling of the economy had shot up to 54.6 percent from its low of 33.4 percent just six months earlier.

The Darden poll also showed that Mr. Reagan would defeat Mr. Mondale, 58 percent to 38 percent, and Mr. Glenn, 54 percent to 41 percent, in the South. In January, both Democrats were narrowly ahead of the president. In intraparty sparring in the latest poll, Mr. Glenn led Mr. Mondale, 50 percent to 44 percent.

There is disagreement, however, on whether the Democratic hold on Southern governorships will make a difference in the presidential race. Claibourne Darden of the polling company said, "The day of the positive endorsement making a difference is long gone."

But George Shipley, a Democratic pollster based in Austin, said he thought aggressively partisan Democratic governors throughout the region could make a difference in the 1984 presidential race.

"The South is the only place the Democratic Party can go to put together an electoral majority," he said.

Reagan Doesn't Think Watt Will Step Down, Speakes Says

The Associated Press

WASHINGTON — President Ronald Reagan does not expect Interior Secretary James G. Watt to resign and considers the matter closed, the White House spokesman, Larry M. Speakes, said Wednesday.

Mr. Watt has been under fire since last week, when he characterized several appointees to an advisory panel as "a black, ... a woman, two Jews and a cripple."

On Monday, Mr. Reagan said in an interview with the New York Post that he would leave it up to Mr. Watt whether to resign. But Mr. Speakes said Wednesday: "It's behind us."

On Capitol Hill, the Senate majority leader, Howard H. Baker Jr., Republican of Tennessee, said that sentiment against Mr. Watt may have crested.

But leaders of the minority Democrats, unwilling to lay the interior secretary's remark to rest, maneuvered to force a vote on whether he should resign. That vote, which even some Republicans concede could go against him, may come within the next few days.

Mr. Speakes had said that public sentiment, as measured by calls and telegrams to the White House, was running heavily against Mr. Watt last week, although he had declined to reveal specific figures. While continuing to refuse to provide any specifics, Mr. Speakes said Wednesday, "It's kind of evening up now."

Walesa Tape May Signal Harsher Line

By Dan Fisher
Los Angeles Times Service

WARSAW — Some analysts speculate that the decision by the Polish authorities to broadcast a tape recording in which Lech Walesa supposedly talked about investing more than $1 million is part of a harsher ideological line.

In the government's most brazen attempt yet to discredit the former Solidarity leader, a recording of an alleged conversation between the unionist and his brother was broadcast Tuesday night on national television.

It was unclear why the regime chose to air the questionable tape for the first time now, almost a year after word of its existence was first leaked by government sources to the Western press.

United Press International

Lech Walesa being interviewed in Gdansk recently.

But some experts suggested it might figure in a tougher ideological line the authorities have adopted in the buildup toward a possible confrontation between "pragmatists" and "hardliners" at a plenary meeting of the Communist Party Central Committee in mid-October.

The half-hour television special Tuesday depicted Mr. Walesa as foul-mouthed and greedy, worried most about ensuring his financial security by the smart investment of various international cash prizes awarded him before and after martial law. He refers specifically to investing his funds in the Vatican bank.

Mr. Walesa, who watched Tuesday's program, afterward repeated his charge that the recording was fabricated and said he was considering "bringing the case to court or something like that."

The government claims the recording was made a year ago at Arlamow, an isolated government lodge in southeastern Poland where Mr. Walesa spent much of his 11 months in martial-law internment. His brother, Stanislaw, allegedly made the recording without the unionist knowing it. According to the television report, police confiscated the recorder and the tape after the meeting.

Mr. Walesa has confirmed that he met with his brother at Arlamow and that Stanislaw made a "short" tape recording of the session. But the Solidarity leader says that the government's recording is different.

Several persons who watched Tuesday's broadcast said they believed the recording to be fake.

"About 70 percent of what I heard was not his voice," said a former broadcaster. He contended he could hear the points where the recording had been doctored.

The government had reportedly wanted to broadcast the recording late last year, but scrapped the plan at the last minute. It apparently feared that such a broadcast at that time, less than a month after Mr. Walesa was released from internment in a supposed gesture of national reconciliation, might backfire.

Subsequently, officials tried repeatedly to "plant" the recording or a transcript with the Western media, which resisted the efforts because of the tape's questionable authenticity. If the recording had been reported first in the Western media, it would have substantially increased the story's credibility with Poles.

The authorities also tried to use the alleged conversation between the Walesa brothers to drive a wedge between the Solidarity chairman and Poland's Roman Catholic Church. Prominent lay Catholic sources said the recording was played for the top church leadership and an attempt was even made by a government official to deliver a copy to the Vatican.

Last spring, printed transcripts of the alleged conversation were widely distributed anonymously among correspondents, former Solidarity activists and other influential Poles. The transcripts, while similar to the recording played on television Tuesday, were not identical. Words were changed and put in a different order, and other words and phrases were missing from one or the other version.

The Polish authorities have recently stepped up their attacks on Mr. Walesa. Less than two weeks ago, another television special focused on some of the unionist's most aggressive statements from the 16-month Solidarity period.

■ **Priest Calls Tapes 'Rigged'**

The Rev. Henryk Jankowski, the Walesa family priest, said Wednesday of the alleged tape recording, "It disgraces the authorities that they stoop so low in an attempt to destroy someone.... This has been rigged," Reuters reported from Warsaw.

United Press International

East German border guards dismantling deadly shrapnel weapons along the frontier near Uelzen, West Germany.

Bonn Cautious as East Germans Remove Devices

By Ralph Boulton
Reuters

BONN — West Germany welcomed Wednesday the removal of lethal shrapnel guns on the East German border, but security officials expressed skepticism that the Communist authorities would allow any relaxation on the tightly guarded frontier.

The Interior Ministry said about 8 kilometers (5 miles) of border had been cleared of SM-70s, which explode and scatter shrapnel when triggered by trip wires. The secretary of state for intra-German relations, Ottfried Henning, said in a radio interview that he had been informed that all the guns would be removed. But other officials cautioned that East German intentions were not yet clear.

The devices were first installed in 1971 to complement fences and mine fields and now cover over a third of the 1,300-kilometer (800-mile) border. Further stretches were added this summer to deter would-be refugees.

Diplomats said the move appeared to be part of a package of concessions after the granting of a 1-billion-mark ($400,000) West German credit to East Germany this summer. The Communist authorities also announced new measures Tuesday to ease human contacts between the two states.

"The SM-70s are particularly disliked here because of their rather gruesome effects, and complete removal would be a strong symbolic gesture," a diplomat said. "We must wait and see." The SM-70s, usually attached to fences at chest height, scatter shrapnel from a funnel and can kill or maim.

Bonn government sources said removal would have meaning only if the East German guards' orders to shoot were withdrawn. The issue of "Germans shooting Germans" on the frontier has been a highly emotional issue in West Germany.

East German sources in Bonn made it clear that border security was a top priority for East Berlin. "The strength of the border is not just a security matter. It is also an economic factor," one East German said. The final link in East Germany's border fortifications, the Berlin Wall, was built in 1961, largely to halt a stream of refugees that was crippling the country's economy.

West German border guards also expressed skepticism about the removal of the SM-70s.

"We should not be too euphoric. We were delighted when they started removing mine fields in the 1970s, but the next thing we knew they were installing the scatter bombs," a border guard spokesman in Kassel said. He confirmed that the removals so far appeared to be permanent and not just a repair operation. Connecting wires had also been taken away.

A spokesman for the border watch in Munich said there were no signs yet that new fortifications were being installed, but added: "The East Germans are very thorough indeed about their border installations and I can't believe they will leave gaps. If technical apparatus like the SM-70 were removed, they would need many more guards."

He said the East Germans had started to install more "early-warning" systems to expose illicit border-crossers before they reached the final fences, but it was unlikely the guards would depend on them and dispense with other devices.

Last autumn and this spring the Communist authorities rapidly dismantled mine fields and removed double fences over long stretches of the border. In their place, single, higher fences were erected and equipped with the SM-70s. West German border guards said the new system has drastically cut the number of successful escape attempts.

However, an East German guard working on the new fence fled unharmed across the border to the West Wednesday, Bavarian officials said. They said he reported that no scatter guns had been attached to the fence and no mines laid at its base. The old fence had both.

Tuesday, East Berlin said it was dropping regulations obliging children under 14 to exchange a minimum 7.50 Deutsche marks ($3) a day into East German currency during visits. It would also provide legal channels for applications to emigrate and join relatives in the West.

The conservative Hamburg newspaper Die Welt described the moves as a success for Chancellor Helmut Kohl's East-West policies. "The billion-mark credit has brought East Berlin to concessions. Further financial requests will soon be presented in Bonn," it said.

But diplomats said there was no discussion of further credits and the humanitarian measures announced by East Berlin so far would not justify any such concession. Political observers said Mr. Kohl was likely to be disappointed that the East German leader, Erich Honecker, had not reduced the minimum currency requirement for pensioners and other adults, which was almost doubled in 1980.

Ulster Breakout Is Linked to Fear of Informers

By Peter Osnos
Washington Post Service

BELFAST — In the gray-green pallor of Belfast's criminal courtrooms in an atmosphere of uneasy quiet, the trials continue of more than 30 persons charged with serious crimes in behalf of Irish terrorist groups.

Their accusers, locked away in protective custody, are former comrades turned informers — "supergrasses" they are called — whose uncorroborated testimony could send many of them to prison for life.

It is trials like these, and 20 others or so scheduled in the coming months, that were the reason Sunday's mass breakout from the Maze prison near Belfast by members of the Irish Republican Army was, authorities believe, as desperate as it was daring.

In its continuing war with the British government, the IRA showed this week that it can still mount a spectacular feat of defiance, making a mockery of security at what was supposed to be an escape-proof institution. There are still 19 men at large.

But the breakout does not offset the damage done recently to the IRA and its Protestant paramilitary adversaries by the police's successes with the use of informers.

In all, according to a Royal Ulster Constabulary spokesman, more than 300 persons have now been charged with terrorist offenses since the use of informers began on a wide scale about 18 months ago. In one trial this summer, 35 persons were convicted almost entirely because of the testimony of Christopher Black, a longtime IRA guerrilla who was granted immunity.

Those facing trial, the spokesman said, now represent a "significant proportion" of the active strength of the republican and loyalist para-military groups. And while especially in the aftermath of the Maze escape, no one would hazard that the bloody sectarian struggle in Northern Ireland is ending, figures on violence have dropped this year to their lowest point since 1970.

There may be other factors responsible for the improvement, but the view of legal specialists, clergymen and moderate politicians is that the use of informers has had a major impact.

Arrests have depleted the paramilitary forces in Belfast and Londonderry in particular. But throughout the province, police say, the organizational and planning structure of the groups has been damaged by the discovery that so many people are prepared to abandon their pledge of total loyalty.

About 30 supergrasses have been recruited thus far with promises that, in addition to immunity in most cases, they and their families will be resettled in a "friendly country," provided with a new identity and a job. Police deny allegations that they bribe the defectors outright, contending that money is provided them merely for "expenses."

Nonetheless, the use of inducements to supergrasses undoubtedly has its unsavory side and many of the legal shortcuts involved are proving controversial.

Even admitted murderers have been given extraordinary leniency in return for talking. An informer from the Irish National Liberation Army, convicted of five murders, six attempted murders and 74 other offenses, had his life sentence reduced to an undisclosed minimum to be spent in an English jail.

However, it is the judicial procedure of the trials that has aroused the most criticism. For a decade, terrorist cases in Northern Ireland have been heard without juries on the ground that the chances for political interference and intimidation are therefore greatly reduced. The judges in supergrass cases have determined, moreover, that there is precedent in British common law for permitting uncorroborated testimony against former accomplices. This means that the only evidence in many cases is the word of a single informer.

Plumes of Smoke on Soviet Island Leave U.S. Intelligence in a Cloud

United Press International

WASHINGTON — Intelligence experts have carefully studied pictures taken from space of giant plumes of smoke rising from a remote Soviet island above the Arctic Circle, but still do not know what the pictures represent.

"Something happened there ... several times" early this year, an intelligence source said. "But we just don't know what it was." He was referring to mysterious plumes of smoke, one rising almost four miles (6.5 kilometers) into the air and another that trailed horizontally for more than 150 miles.

The pictures were taken randomly in Feburary, March and April by two U.S. weather satellites, operated by the National Oceanic and Atmospheric Administration, as they passed over Bennett Island. The island is in the East Siberian Sea, part of the New Siberian Island group, 350 miles north of the Siberian coast.

U.S. intelligence experts considered the possibility the smoke plumes indicated Soviet weapons tests or some unexplained man-engineered activity. They also said that the plumes could have been of volcanic origin, although geologists say that the area has no known volcanic history.

Military sources reported that Pentagon intelligence experts "had the opportunity to look at the photographs and were not able to draw any conclusions. The cause remains unexplained."

Other intelligence sources reached the same judgment.

U.S. Army Mass-Burial Training Raises a Furor

By James M. Markham
New York Times Service

BONN — For more than a year the Reagan administration's international public relations specialists have been trying to persuade West Germans that Washington considers a limited nuclear war unthinkable.

That carefully nurtured effort to undo the damaging impact of the administration's early, casual talk about limiting a nuclear war to Europe was jolted last Friday in the pages of Stars and Stripes, a daily newspaper that calls itself an "authorized unofficial publication of the U.S. armed forces."

The story on page 9 by Bob Wood, a staff reporter, started: "There were no flowers, few mourners and little ceremony Tuesday as members of Hanau's 26th Supply and Services Company trained for the task of burying American service members."

The headline that ran across the top of the page was more arresting: "Unit Practices Mass Burial Procedures." Two photographs showed American soldiers in the town of Hanau and the bulldozed grave containing "the body of a simulated casualty."

Mr. Wood's article related that the burial training, conducted last week during NATO exercises, was the first ever undertaken by the army during the annual fall maneuvers.

He quoted Staff Sergeant Isiah Gibbs as saying, "Mass burials would be resorted to only in case of massive loss of life."

Because Stars and Stripes is widely read here, and not just by soldiers, it did not take long for West Germans to react.

The first outcry came from the Frankfurt chapter of the Greens, the party of the arms protesters, which denounced the nearby exercise as "macabre" proof that "all of Europe is foreseen as a mass grave and the lives of thousands of millions of men are considered as a 'maneuver mass' whose orderly disposal is now being practiced."

In an editorial titled "Deep Graves," Frankfurter Rundschau, a daily that supports the opposition Social Democrats, asked indignantly: "What really is going on in the heads of people responsible for such 'exercises'? Sensitivity for civilians and their fears has never been a strong point of the military. And this kind of thing, a demonstration of this insensitivity, can only inspire fear and quaking — before the specter of a nuclear war."

On national television, Martin Schulze, a commentator, asked: "Doesn't the American military understand that in the Federal Republic we are having a serious discussion about the very existence of our future? Don't they realize that with such macabre practices they are suggesting that nuclear war is increasingly likely?"

Mr. Schulze concluded: "How would the American government, or for that matter the German government, have reacted if the peace movement had decided to stage such a spectacle in Germany against the deployment of nuclear weapons?"

In Bonn, West Germans engulfed the U.S. Embassy in angry phone calls, and Ambassador Arthur F. Burns, according to a staff member, "hit the roof, in his quiet, inimitable way."

United Press International

U.S. soldiers, in a Stars and Stripes newspaper photo, train in mass burial procedures at Hanau, West Germany.

The ambassador has been making strenuous efforts to keep U.S. military personnel, physically and otherwise, out of the anguished West German debate over nuclear weapons.

Colonel Richard L. Horvath, the editor in chief of Stars and Stripes, said he was "the new guy on the block," having been in his job for six weeks.

"If we were to have that story again, we would have looked at it and covered it," he said in a telephone interview.

Other U.S. military spokesmen appeared eager to disassociate their units from the burial exercise.

Major Cecil Green, a deputy public affairs officer for the V Corps, said the grave detail was not an integral part of its Confident Enterprise maneuvers, but rather a parallel bit of initiative by the 26th Supply and Services Company.

Major Green added: "It has no connection with nuclear war at all."

■ **Bonn Criticizes Exercise**

The West German government Wednesday criticized the U.S. Army for the mass burial training, which it called "not helpful and not necessary," The Associated Press reported from Bonn.

Peter Boenisch, the government's chief spokesman, made the comments at a routine news conference.

A Defense Ministry spokesman, Jürgen Reichardt, said West German authorities had not been informed before the operation and considered such actions "neither sensible nor necessary."

"These are not the things that one must plan and exercise militarily," Mr. Reichardt said.

Iraq Says Iran Aims to Block Planes

Reuters

BAGHDAD — Iraq said Wednesday that Iran has threatened to restrict shipping in the Gulf as part of a campaign to prevent the delivery to Baghdad of French Super Etendard planes armed with Exocet missiles.

Iran said Tuesday that it would restrict shipping in the Gulf by sealing the Strait of Hormuz if Arab states in the area continued to allow their ports to be used by ships delivering weapons to Iraq.

The threat was part of a campaign to create "an international fuss against the Iraqi-French deal," said an Iraqi official. "Iran aims at preventing France from supplying the five Super Etendards."

France has said that it plans to deliver the planes to Iraq, but there has been no official word that they have arrived.

The latest Iranian threat to close the strait, through which most Middle East oil passes, was made by President Ali Khamenei. Apart from Iraq, Arab states that have ports on the Gulf are Kuwait, Saudi Arabia, Bahrain, Qatar and the United Arab Emirates.

■ **U.S. Protests Iran Threat**

The United States, reacting to Iran's latest threat to restrict shipping in the Gulf, said Wednesday it would view any attempt to interfere with peaceful navigation there with grave concern, Reuters reported from Washington.

The State Department spokesman, Alan D. Romberg, suggested that the United States would act if necessary to keep sealanes open and freedom of navigation.

Expelled Ghanaians Returning to Nigeria

Despite Crime and Poverty, Lagos Draws Many Sent Home in January

By Clifford D. May
New York Times Service

LAGOS — When he graduated from a Presbyterian secondary school in Accra, Ghana, two years ago, Michael Addo, then 24, hoped to go into business. But given the sickly state of the economy, even the best job he was offered would have paid him in a month only enough to buy food for about a week.

So like many young Ghanaians at that time, Mr. Addo came to the Nigerian capital. He found work in Lagos as an apartment house guard, and on his salary he was able to afford food, shelter, new clothes and such small luxuries as a portable radio. There was even a little money left over to send home to his family occasionally.

Then, one morning last January, he switched on his radio and heard that all illegal aliens were to leave the country within two weeks.

"I wasn't angry," Mr. Addo recalled. "I was afraid. I was afraid of what the Nigerians might do, that they might beat me or kill me. Nigerians are hard to understand."

Packing up his meager possessions, Mr. Addo joined about two million other West Africans who left Nigeria in the largest migration in the recent history of the African continent.

But Mr. Addo went back to Ghana for only a few months. "Things just get worse and worse there," he said. "Living costs keep going up and wages keep going down. So I took the risk and came back."

Although there are no figures on how many of the illegal aliens have returned, it is far from difficult to find veterans of the winter exodus in Lagos.

"Of my five best friends here before the expulsion," said William Oppon, 27, a Ghanaian teacher now working as a servant in the home of a Western diplomat, "three are back and the other two have written me asking whether I think they should return. Everybody's coming back."

Many of these workers are no longer in Nigeria illegally, however. Nigeria is a member of the Economic Community of West African States and one of that organization's principal points of agreement is that citizens of member countries be allowed to move freely across West African borders.

"When I first came here," said Mr. Addo, "I had a visa and working papers. But I didn't bother to renew them when they expired. Nobody did. So eventually, I suppose, I was an illegal alien."

Other West Africans say they came to Nigeria illegally only because getting the proper documentation from their own governments was more difficult, took longer and was less certain than simply "dashing," or bribing, an official or two at the border. According to some estimates as many as 5,000 West Africans continue to cross illegally into Nigeria every month.

Lagos is an unlikely land of opportunity. Much of the city is a sprawling slum, violent crime is rife and basic municipal services are lacking.

None of that makes much difference to the immigrants. "Life is easier in Lagos," said Grace Afful, a 29-year-old Ghanaian. "Life is better. If you get the money, you can buy anything you want here. In Ghana, even if you get the money, there is nothing in the stores or the markets to buy with it."

The expulsions are a sore subject for the Nigerian government. Officials say Nigeria was only doing what any sovereign nation has the right to do.

"This country has laws, immigration laws, and if you want to come here you are welcome, but do it according to the laws," said Umaru Dikko, a government minister and one of President Shehu Shagari's closest advisers. "We expelled illegal aliens. The operative word is illegal."

Mr. Dikko and other government spokesmen acknowledge that they may not have handled the matter as well as they might have.

Critics of the government charge that much of the hardship inflicted on the aliens could have been avoided simply by giving them more than two weeks to pack up and get out.

That argument overlooks the probability that, given sufficient time, many of the aliens would very likely have found an illicit means to regularize their status.

The reasons why the government decided, at that particular time, to expel the undocumented foreigners remain somewhat murky.

Some believe that strategists in the Shagari administration thought it would be a popular move, one that would win support for the ruling National Party of Nigeria in this summer's elections.

Like foreign workers in other countries, the Ghanaian and other aliens have been blamed for contributing to Lagos's high crime rate and for taking jobs that Nigerians might otherwise fill.

"A Ghanaian will take any kind of work," Mr. Oppon said. "And they will do the job better and for less money than you would have to pay a Nigerian. The Nigerians don't like to see that."

In the months since the expulsions, Ghanaians in Nigeria say, it has become even more difficult to get legal documentation at home.

Finding a job in Lagos is also not as easy as it once was. "Nigerians have no fears about hiring a Ghanaian who doesn't have his permits," Mr. Oppon said. "But whites now do."

Despite such problems, the Ghanaians add that they have no regrets about having come. "I'm looking for a job, any kind of job," said Mr. Addo, "and I'm trying to get a resident visa."

The immigrants say, too, that they have not been molested since their return. "When they first told us to leave, some people were very bad," said Bernard Baba, a 30-year-old Ghanaian. "If they would catch you, they would beat you up. But recently things have been better. Maybe they've been distracted with their elections."

"At least in Nigeria," he continued, "you can feed yourself. At least here you've got a chance."

Sygma

West Africans, mostly Ghanaians, crowded Lagos harbor after their expulsion in January.

U.S. Budget Office Pressured EPA To Help Industry, Former Aide Says

By Mary Thornton
Washington Post Service

WASHINGTON — The former chief of staff at the Environmental Protection Agency has testified that President Ronald Reagan's Office of Management and Budget leaked proposed changes in environmental regulations to industry and brought "tremendous pressure" on the EPA to make regulatory changes desired by industry.

John E. Daniel, a senior adviser to Anne M. Burford, administrator of the EPA until her resignation in March, appeared Tuesday before the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee. He also told the committee that the budget office stalled, tried to reverse or altered EPA regulations on water quality, uranium mill tailings and air quality standards.

Mr. Daniel described one case in which, he said, Mrs. Burford decided to issue regulations over the objections of the budget office:

"That evening I received a call from an OMB official — Jim Tozzi. He said . . . there was a price to pay for doing what we had done and we hadn't begun to pay."

Mr. Tozzi, then deputy administrator for information and regulatory management, is no longer at the budget office. He could not immediately be reached for comment.

In his testimony Mr. Daniel said there was frequent evidence of the budget office's taking the industry line in reviewing proposed regulatory changes. He said some of its analyses had been "so technical they would have come from someone other than OMB staff. They would have had to come from the regulated companies. I have received calls from regulated industries where they had knowledge of the [unpublished] regulations."

Mr. Daniel said he knew of one instance in which he believed the budget office had leaked to industry proposed changes in rules involving high-level radioactive wastes. In late 1981, Mr. Daniel said, a lobbyist from the General Electric Corp. called the EPA to ask for additional time to comment on regulations on high-level radioactive waste. The rules had not been released publicly but had been sent to the budget office for review, he said.

Representative Albert A. Gore Jr., a Tennessee Democrat, said of the budget office, "I've come to the inescapable conclusion they just sat over there and acted as a back-door channel to let the affected corporations hot-wire the regulatory process and get what they wanted."

Mr. Daniel answered, "I think you characterized that correctly."

Edwin L. Dale, a spokesman for the office, said Tuesday that if Mr. Daniel alleged that rules in the proposal stage were leaked by the office to industry before publication, "I think he must be mistaken. I can't guarantee that someone here didn't violate the rules, but there are very strict prohibitions against it.

"As for us being a conduit for industry views, I think that's a distortion. It's entirely proper that we receive industry's views, but there are strict procedures . . . . Only the very top people can have any conversations with industry."

■ New Danger at Love Canal

The EPA said Tuesday that it had found unexpected leaking of chemicals at Love Canal in Niagara Falls, New York, calling into question last year's federal declaration that the area was safe to live in, The New York Times reported.

The agency said a "total review" was needed of the scientific information amassed by the agency last year and used as the basis for the declaration that the area was habitable. A spokesman said that a new decision on the area's safety would not be made until at least March 1985.

The canal, where thousands of tons of toxic chemical wastes were dumped in the 1940s and 1950s, was declared a federal emergency area in 1980, and hundreds of families were evacuated from their homes.

U.S. Panel on Hunger Holds Its First Meeting

By Robert Pear
New York Times Service

WASHINGTON — A presidential commission studying the problem of hunger in the United States has met for the first time, and its chairman declared that the nation had a moral obligation to solve the problem.

The chairman, J. Clayburn La Force Jr., dean of the Graduate School of Management at the University of California, Los Angeles, said Tuesday that the 13 members of the advisory panel would be independent of the administration.

As members publicly described their qualifications and views, several emphasized the desirability of private voluntary efforts to combat hunger. Most members of the panel, the President's Task Force on Food Assistance, said it was intolerable that hunger should exist in a country where food was plentiful.

The panel, which has a budget of $350,000, is supposed to submit a report to President Ronald Reagan within 90 days. The report is to suggest ways of improving U.S. food assistance programs, which cost the government more than $20 billion this year.

Mr. La Force said that the possibility of hunger and malnutrition in society "arouses in each of us a sense of moral obligation. There simply ought not to be hungry or malnourished people. To the extent that there are, it is a measure of our moral failure to take personal responsibility for the well-being of others."

Mr. La Force was asked how he responded to suggestions that the panel had been "stacked" with conservatives likely to support Mr. Reagan's social welfare policies. The chairman said: "I hope our efforts won't be prejudged. If I have any message, it's this: Let's give the task force a chance."

There was little discussion Tuesday of changes in food programs made by Congress in 1981 and 1982 at Mr. Reagan's request. The Congressional Budget Office has estimated that the changes reduced food stamp outlays by about 13 percent and spending on child nutrition programs by about 28 percent. In the current fiscal year, the government is spending $12.5 billion on food stamps and $3.2 billion for child nutrition programs, including school lunch subsidies.

In a presentation to the panel, Virgil L. Conrad, deputy administrator of the Federal Food and Nutrition Service, strongly defended the food stamp program, saying it was "well targeted" to poor people. More than 89 percent of the 21.6 million food stamp recipients have gross incomes at or below the poverty line, he said. A family of four was classified as poor last year if it had annual cash income of $9,862 or less. In addition, Mr. Conrad said the program had relatively low administrative costs, so that 94 cents of every food stamp dollar went directly into benefits for people.

Meanwhile, the U.S. Conference of Mayors, representing cities with populations of more than 30,000, offered a program to combat hunger.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

On to Deployment

President Reagan's latest proposals for Euromissiles are significant primarily for what they reveal about NATO resolve. Having consulted directly with key allies, Mr. Reagan offered only modest new concessions, and reaffirmed the decision to start deploying U.S. missiles in Europe in December — if, as now appears likely, no agreement with Moscow is at hand. The allies seem confident that they can ride out public protest against the first deployments, particularly in West Germany, and thus elicit a better Soviet offer next year.

Given that Western consensus, the president's strategy is sound.

Plainly the allies have now put aside their proposal that Mr. Reagan revive the informal accord explored by Soviet and U.S. negotiators in Geneva last year. That accord, subsequently rejected by both governments, would have limited deployments in Europe to 75 cruise launchers, with 300 warheads, in exchange for a reduction of Soviet SS-20 missiles from 243 to 75, with 225 warheads. The Russians also would have had to freeze the number of SS-20s in Asia — then 90 and now 108.

Any hint of renewed Soviet interest in that deal would stir the allies to move toward it. But Moscow's refusal to sanction any medium-range American missiles in Europe implies a Soviet decision to test the strength of the Western peace movements first. Feeling prepared for that contest, the allies can hardly be faulted for not now conceding more. The next big move has to be Moscow's.

When negotiation gets serious again, Mr. Reagan's suggestions should be helpful. The most important was acceptance, on NATO's behalf, of the Soviet desire to limit bombers as well as missiles. The two sides are far apart on which aircraft ought to be covered, but including U.S. "forward based systems" has been a Soviet arms control goal for a dozen years. The allies had been reluctant to proscribe any reinforcement of U.S. aircraft in a crisis.

The other two Reagan offers clarify the standing NATO proposal to hold the number of new American warheads in Europe to whatever equal limit the Russians accept.

Under approved plans, NATO intends gradually to deploy up to 464 cruise missiles and 108 Pershing-2s. Mr. Reagan has now formally offered to limit the Pershings, which trouble Moscow the most, as well as cruises. And he has offered to confine any agreement on missiles to those within range of European targets. He would freeze the Asian SS-20s and reserve the right to match them with deployments in Asia or stockpiles in America.

Although they immediately scoffed at these proposals, the Soviet leaders have done even less to promote agreement or impress Western publics. Yuri Andropov's last offer was to reduce his European force to 162 SS-20s, with 486 warheads — about six times the number of on-station British and French warheads that he pretends to match. Without even counting his Asian SS-20s, he would exceed the forces that the late Leonid Brezhnev proposed in 1979 to head off the NATO deployment. If a costly Euromissile competition is now to be avoided, Moscow will have to do much better.

— *THE NEW YORK TIMES.*

President Reagan used well the forum of the United Nations in addressing the question of missiles in Europe. He showed, to all but the most determinedly skeptical, that he would prefer a Soviet-American agreement limiting Euromissiles to a new American deployment countering Soviet missiles already deployed. Belying his sometime reputation for rigidity, he took the propaganda high ground — on an issue for which public support is critical to negotiating success — by airing three new initiatives designed to address concerns that the Soviets had raised at the bargaining table.

In the focus on the particulars, people sometimes lose the larger outlines. The single reason why there is a Euromissile issue at all is that in the 1970s the Soviets could not resist trying to steal a march on NATO by unilaterally modernizing the intermediate-range nuclear forces whose political shadow falls most darkly on Western Europe. This foolish and shortsighted misreading of the Western temper produced Europe's demand for the United States to lift that shadow — either by negotiating limits on Euromissiles or by deploying new American missiles on the Continent.

It is highly doubtful that Mr. Reagan's latest initiatives will draw the Soviet Union into an INF agreement before the alliance-set December date when the new American deployments are scheduled to begin. But the aura of American reasonableness projected by the initiatives should help to make deployment politically easier for the countries that are about to put new missiles on their soil.

The interesting question is whether, after NATO governments have shown that they can deploy over the objections of militant minorities, the Soviets may decide to shave their losses by deflating the Euromissile issue. Regrettably, the Kremlin has complicated such a turn by committing itself to unspecified countermoves against any new American Pershing-2 and cruise missiles that are deployed.

It is exceedingly important, however, for the INF issue to be moved off center stage so that Washington and Moscow can give their full attention to START. INF covers quite limited numbers of lesser missiles that are sensitive in Western alliance politics but will not make much military difference in the end. START covers large numbers of the most vital, destructive and expensive weapons touching the ultimate security of both sides.

It is important to deal effectively with the Euromissile issue, but it is no less important to see it in scale as secondary.

— *THE WASHINGTON POST.*

'The Better Boat'

Congratulations to the Australians who go back to their homeland with the fastest 12-meter yacht ever built and the trophy named for the yacht America that first captured it. Loss of the America's Cup is painful for Americans, who had successfully defended it for 132 years, but the Australians' victory was clear.

"Australia II was the better boat today and they beat us and we have no excuses," said Dennis Conner, the losing skipper.

John Bertrand, the winning skipper, Ben Lexcen, designer of the almost magical Australia II, and Alan Bond, who put together four successive competing syndicates before finally achieving his victory, all deserve warm praise. Equal credit is due the Australian crewmen who ground winches, climbed masts to repair rigging and performed superbly as a team.

When a group of New York yachtsmen sailed the original America to compete in England in 1851, the United States led the world in ship design and seamanship. Australia then was a remote frontier colony that could not hope to compete in a sport in which wealth and technology are as important as nerve and skill. That it should now be honored for a victory based on high-tech marine architecture says much about the possibilities of national development, not to mention the human spirit.

The years until Australia's first defense of the cup will slip by quickly, and that leaves Americans to ponder another point: Until this suspenseful challenge, yacht racing had only a limited elitist following in the United States. Now, suddenly, it has captured the public imagination. If that makes the loss doubly painful, it is also reason for American yachtsmen to start working on a faster boat — and studying the winds and waters off Australia.

— *THE NEW YORK TIMES.*

Other Opinion

Too Early to Leave Lebanon

The cease-fire in Lebanon has come at last, but it is too soon to be confident that it will hold. What is equally clear is that it is too early to talk about the multinational peacekeeping force leaving the country. All that has happened is that another phase of a conflict which has gone on since the middle 1970s has ended, and that yet another attempt is being undertaken at political reconciliation.

It is particularly important that the four Western countries who have contributed to the multinational peace force should now maintain their unity and purpose.

It must not be forgotten that the present force is in Lebanon at the invitation of President Gemayel, and this is no time to indulge in anything that will weaken him. This means that the Western powers should, through diplomacy, encourage all in Lebanon who want to prevent the country being partitioned.

Any sign of disunity and disagreement by the West will be exploited by Syria, whose aim remains that of discrediting President Gemayel. Had the force not been available, the chances are that President Gemayel might have been overthrown and Syria would be dictating the peace terms.

— *The Daily Telegraph (London).*

FROM OUR SEPT. 29 PAGES, 75 AND 50 YEARS AGO

1908: President Attacks Challenger

WASHINGTON — After calling Mr. Bryan's remarks about Mr. [Theodore] Roosevelt's alleged favoritism to the United States Steel Corporation absurd, Mr. Roosevelt intimates that Mr. Bryan's intellect has cobwebs, that Mr. Bryan seems unable to grasp the Roosevelt policy of treating corporations upon the ground of their conduct, not their wealth, and that Mr. Bryan is deluded if he thinks he is not being supported by any official of law-defying corporations. Mr. Roosevelt compares the record of his administration in anti-trust actions with the Cleveland administration when Mr. Richard Olney, who is supporting Mr. Bryan, was Attorney-General, to show that Mr. Roosevelt's has been an actual achievement in bringing corporation offenders to justice.

1933: Indicted for Gold Hoarding

NEW YORK — Frederick B. Campbell, indicted by a federal grand jury for failure to report $200,574 worth of gold bars in accordance with the president's anti-hoarding decree, has pleaded not guilty. Immense interest is being evidenced in the case as it is the first to be prosecuted under the anti-hoarding measure, which carries a maximum sentence of 10 years in prison, or a fine of $10,000, or both. Campbell was indicted as the aftermath of a suit filed by him to compel the Chase Bank to turn over to him $200,574 worth of gold bars. Campbell asked the court to direct the bank to return 27 gold bars which he entrusted to the institution as a custodian offering its services for hire. The bank refused, saying it would deliver the gold only to a federal authority.

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Crisis Here, Crisis There And All of Them 'Vital'

By Flora Lewis

PARIS — Crisis brews in the Philippines, which is starting to sound like Iran in the shah's final year. No one should be surprised if President Ferdinand Marcos finally crashes.

Crisis has become our daily dosage. It arrives as regularly for breakfast as juice and coffee. The most upsetting part is no longer the sudden need to twist our tongues around unfamiliar, odd-sounding names and places because they are "vital to the West," as President Reagan says. It is precisely that they have been sitting there on the inside pages for so long.

They are already familiar and expectable, like the smash you know is coming when you watch, mesmerized and paralyzed, a glass teetering on the edge of a table. The only surprise is the precise moment when it chooses to fall and the way the pieces arrange themselves on the floor.

Sometimes, of course, there is something really unforeseen and inexplicable, like a South Korean airliner going off course and being shot down without mercy. But mostly the new crises have been festering long enough to be unmistakable, if unattended because of more urgent sores.

A friend asked recently why he had not heard much about the Druze before. The answer is simply that the United States was focusing on Israel and the Palestine Liberation Organization. It did not bother with Lebanese communal rivalries and Syria's shifting local alliances until Americans got directly involved.

But the Druze and the Phalangists and the others have been around for a long time, and the trouble they have got Lebanon into was predicted. That is why the United States, having sponsored an unworkable Lebanese-Israeli agreement for conditional withdrawal of Israeli forces, had to turn around and plead unsuccessfully with Jerusalem not to pull its army back from the Chuf mountains.

We have not heard a lot about the Kurds, either. But they will pop up if it is decided that the Iran-Iraq War is becoming a serious menace, and the locals have to be bullied into respecting the needs of the grown-up powers for a little peace and quiet.

Some Kurds live in Iran, some in Iraq and some in Turkey. They have been demanding a homeland for longer than the PLO, but they do not hijack airplanes. They take whatever help they can get from the enemy of their immediate enemy.

When the shah was still in Tehran and Washington classed Iraq as a Soviet stooge, the United States, via Israel, was helping the rebellious Iraqi Kurds fight Baghdad. Now both superpowers are stumped as to whether it would be worse for their side if Iran or Iraq won the war, so the Kurds and their unswerving ethnic ambitions are not getting much limelight. They will be back.

So will the players and places in Chad. They flashed rather quickly across the headlines. If the names did not sink in a few weeks ago, there will be another chance. The same is true of Central America.

The White House is still "watching" Manila to see if it will be personally safe for President Reagan to pay his respects to Mr. Marcos in November. But it is already obvious that gestures of support for the increasingly embattled dictator are politically unsafe for the United States.

The opponents of Mr. Marcos are expressing themselves more and more as anti-American. It is not that they love the Russians; it is the old friend-of-my-enemy syndrome.

It all adds up to a lot of people who have their own ambitions, their own greeds and fears, their own age-old hatreds, not seeing America in the way it invariably sees itself. The United States is the protector of sovereign independence, the Praetorian Guard of legitimacy and of all good causes when it does what serves their particular purposes — and the menace when it does not.

But the United States keeps identifying its own interest with one side in these enduring battles, glimpsing the "evil" hand of the Kremlin.

When he ordered troops into Cambodia in 1970, President Richard Nixon said, "If, when the chips are down, the world's most powerful nation, the United States of America, acts like a pitiful, helpless giant, the forces of totalitarianism and anarchy will threaten free nations and free institutions throughout the world."

In fact the United States looks a lot less powerful when it allows itself to be dragged into so many other peoples' fights by the flutter of a red flag. The Russians have the same weakness, although the flag that lures the bear is red, white and blue.

Moscow showed the failing when it could not bring itself to say "sorry" for killing Korean Air Lines passengers. Big countries seem to have a terror of admitting a misstep. Big people know how to apologize.

All those crises are not really new. But the giants keep stumbling into them, pretending they know what they are doing. It makes them look pitiful and helpless, and frightening.

The New York Times.

The United Nations? Yes, and Radio Beams

By James Reston

WASHINGTON — President Reagan's speech at the United Nations on Monday was a good example of what has been called the new public diplomacy.

Mr. Reagan read it from his invisible glass screens, ever mindful of the television cameras, with flawless accuracy and with every gesture, comma and eyebrow in place.

It was interesting to watch the Soviet delegation. There was the symbol of Andrei Gromyko's empty white chair. And there, on the side, were two Soviet ambassadors — Oleg Troyanovsky, who went to school in Washington as a boy, and Anatoli Dobrynin, who has been in Washington so long that he is dean of the diplomatic corps — both looking on in glum disapproval.

They obviously didn't like this public diplomacy. Yet, ironically, the Soviet Union did as much as anybody else to rebel against the private or "secret diplomacy" of the years before it came into existence.

Metternich, the Austrian statesman of post-Napoleonic Europe, regarded appeals to public opinion as a pernicious and dangerous debasement of professional diplomacy.

On the other hand, Bismarck, the Iron Chancellor of Germany, and George Canning and Viscount Palmerston of Britain had a different view.

Canning thought public opinion "a power more tremendous than was perhaps ever yet brought into action in the history of mankind." Palmerston agreed. "Opinions," he wrote, "are stronger than armies. Opinions, if they are founded in truth and justice, will in the end prevail against the bayonets of infantry, the fire of artillery and the charges of cavalry."

The new Soviet leaders, when they came to power, insisted on "public diplomacy." Their ambassadors published all their speeches at the conference of Brest-Litovsk as soon as they were delivered, thereby, as Harold Nicolson pointed out, inflicting "immense perplexity, tribulation and boredom" on the world.

The chances are that we are stuck with this loudmouthed diplomatic process. Modern technology encourages it. Despite defects and dangers, it may be going the way of freedom.

Shortwave radio is not popular in the United States, which is a pity, for if you want to hear the most detailed reports of world news, you can get them on the Voice of America and the BBC all day and all night if you buy the right receiver, no larger than a paperback book, for less than $100.

The peoples of the Soviet Union and Eastern Europe have caught on to this. As Kenneth Adelman, who now presides over the U.S. Arms Control and Disarmament Agency, has pointed out, there are 10 times more shortwave receiving sets in the Soviet Union, despite its poverty, than in the United States — 3.5 million in 1950, 60 million in 1975 and probably a lot more now.

What is so odd about this is that Congress is so preoccupied with the war of missiles, tanks and planes that might happen in the future that it tends to forget the importance of the war of words that is now going on.

Congress is angry at the United Nations because the UN has not kept the peace — something, given the veto power of the major nations, that it never had a chance to do.

But the United Nations, as Mr. Reagan demonstrated, is a platform for ideas, and ideas not only have legs, but, with modern technology, they have wings and can penetrate where tanks and missiles dare not go.

The Russians can jam them, but not for long. American broadcasting stations can be placed not only in North Carolina or in Europe but in Alaska, in Japan, in Southeast Asia or, with limited range, on ships.

There is no way that the Soviet Union can stop this flow of facts or ideas out of the United Nations and the broadcasting stations of America, Britain, West Germany, France and Japan, unless the representatives of those peoples deny the funds necessary to maintain free forums of discussion like the United Nations, and powerful shortwave radio stations that can vault the Iron Curtain.

We are probably only at the beginning of this struggle between political tyranny and modern technology. Before long it should be possible to send satellite television pictures that cannot be jammed to all the nations of the world, just as it is already possible to broadcast the best thought of our civilization by radio to the children in the loneliest valleys of the Andes.

It is no wonder Mr. Gromyko did not show up and the Soviet Union is trying to make intruding foreign broadcasts into its territory an international crime. Looking to the future, they have nothing more to rely on than secrecy and their missiles, and nothing to fear but the truth.

The New York Times.

Manhattan Is Still Where the United Nations Belongs

By Daniel Patrick Moynihan

The writer, Democratic Senator from New York, is a former U.S. delegate to the United Nations.

NEW YORK — In his address to the United Nations General Assembly President Reagan did not repeat his suggestion that the United Nations consider itself free to leave New York or that, alternatively, delegates should divide their time between New York City and Moscow. His speech was conciliatory, and in ways a retraction.

Even so, there is damage to be undone.

Mr. Reagan's remarks were voiced on Wednesday last week and appeared in the press Thursday morning. On Thursday evening an aroused Senate voted, 66 to 23, to cut the U.S. contribution to the United Nations and its principal agencies by half — or completely, if the organization does not accept the unilateral U.S. decision on what has always been a negotiated sum.

The United Nations Charter provides that a member two years in arrears on its financial contributions "shall have no vote in the General Assembly." If America defaults, as the Senate action would have it do, there would unquestionably be a move to transfer United Nations headquarters to Geneva — or, more likely, to Vienna, because Vienna is more to the Soviet Union's liking. The move would surely succeed, and it would mark, as the columnist Joseph Kraft has written, the decline of the United States as a great power. It would date the collapse of the post-World War II arrangement for a world order. It would almost certainly lead to general disorder and possibly general war.

The United States, and New York City in particular, have been done a disservice.

The decision to situate the United Nations in New York did not come automatically, or even easily. The Charter was signed in San Francisco on June 26, 1945. A preparatory commission met in London the following November, with one of its duties that of finding a permanent location. (The first General Assembly also met in London.) There was strong sentiment for a European site, although that failed by a 25 to 23 vote.

The decisive factor seems to have been the judgment of Trygve Lie, the first secretary-general, that the League of Nations failed largely because America refused to join, and that a U.S. location would make it difficult for America to withdraw should its traditional isolationism emerge once more. (As it now appears to be doing?)

The U.S. representative on the commission, Adlai E. Stevenson, said that America would warmly welcome the United Nations — Congress had so resolved — but would not seek to influence the decision. By contrast, Andrei A. Gromyko indicated that the Soviet Union supported having the headquarters in America. (Just why, we will not know until the Gromyko papers are opened. The Russians no longer hold that position.)

The commission finally agreed, and New York was chosen when John D. Rockefeller Jr. donated $8 million for the Turtle Bay site and Mayor William O'Dwyer, working with Robert Moses, found $30 million for the various improvements we think of as United Nations Plaza.

So at first the decision on where to put the United Nations was not a political statement. Thus was the diplomatic center of the world put in the principal city of the world's most important democracy. But the decision became political, for World War II did not end totalitarianism.

This has made the United Nations more and not less important to the democracies, for the Charter commits each member to a regime of at least minimal political and human rights.

The Charter states: "We, the peoples of the United Nations, determined to save succeeding generations from the scourge of war ... to reaffirm faith in fundamental human rights ... to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained ... "

It is of inestimable value that these are the proclaimed standards of the nations of the world, to which they are bound by solemn covenant.

Is there a double standard at the United Nations? Of course there is. Two-thirds of its members are in gross violation of that covenant, and they take it out on America. But America can give as good as it gets, not least because it has the Charter on its side. (The United States has its own double standard, mind. The totalitarians in Beijing can vote any way. It responds by offering arms.)

It had seemed that this General Assembly would concentrate on Soviet conduct. Now it is America that is the most likely target, and this time the criticism won't be as easy to dismiss.

President Reagan, losing no time, should demand that the Senate reverse itself.

The New York Times.

'A Useful Place to Make Statements'

By Philip Geyelin

WASHINGTON — It was an easier flight to New York than to a United Nations part-time headquarters in Moscow. And there were no rude noises from an audience representing 158 nations while Ronald Reagan was beating the Soviets over the head for their "brutality" and indifference to the truth, whacking the Third World for "pseudo-nonalignment" and trumpeting new, more flexible arms control proposals.

It was, in short, a perfect example of the opportunity that the United Nations offers as a sounding board, a safety valve, a forum for debate — however rancid the debate — and an instrument for peacekeeping whenever there is a political will to use it. Even Ambassador Jeane Kirkpatrick was conceding this week that "it's a useful place to make statements that resound throughout the world."

So what was the point of all the wailing and rending of garments last week, the snide invitations to the United Nations to pick up its marbles and go home, the bleating about the rude behavior of some of its members? How could a flap over the landing rights of Soviet Foreign Minister Andrei Gromyko (which originated with real and understandable technical problems) grow into a flaky debate about the value to U.S. interests of U.S. participation in the United Nations and the horror of having the UN headquarters on American soil?

The White House had pretty well disassociated itself from the excesses of Charles Lichenstein, the Kirkpatrick deputy who first floated the nonsense about waving the United Nations farewell. But the president then invited a national debate with a claim that "most people in America" couldn't care less if the United Nations wanted to move away. Not to be outdone, the Senate threw away whatever leverage it might have by taking a cleaver to the UN budget.

Never mind that the same Senate will probably be passing a Lebanese resolution that will require the president to explain regularly what he is doing to mobilize United Nations peacekeeping forces as a replacement for the U.S. Marines.

Similarly, even as the Reagan administration at various levels was demonstrating its indifference to the world organization, serious policymakers were talking about using UN observers as cease-fire monitors, if not as substitutes for the multinational U.S.-French-British-Italian peacekeeping force. Meanwhile, having contributed considerably to the climate in which the Senate acted to cut U.S. financial support for the United Nations, the administration is working to reverse that vote.

The temptation is to throw up one's hands at the spectacle of yet another narrowly focused debate over the utility or futility of U.S. membership in a world organization whose outmoded workings give disproportionate weight to a membership swollen by the addition, during its 38 years, of almost 100 relatively weightless, often unruly new nations.

The transformation of the United Nations — and the loss of dominance that the West once had in its councils — is a rough reflection of transformations in the real world. Thus, the current debate over the United Nations goes to the heart of a historic conflict over U.S. foreign policy.

"The manner in which a state practices foreign policy is greatly affected by national peculiarities," writes Arthur Schlesinger Jr. in an analysis of "Foreign Policy and the American Character" in the current issue of Foreign Affairs magazine. "No paradox is more persistent than the historic tension in the American soul between an addiction to experiment and a susceptibility to ideology."

Tracing the "two strains [that] have competed for the control of American foreign policy" over the years, Mr. Schlesinger concludes that in the end a successful American president has to appeal to "both reality and ideology." Most postwar presidents, he believes, have been more or less successful in "marrying national interest to idealistic hope." The Reagan administration, he contends, "represents a mighty comeback of the messianic approach to foreign policy."

But even Mr. Schlesinger, a Democrat, is willing to concede an administration readiness, having marched up the ideological hill, to march down again. As examples of "the modification of ideology by interest" he cites the Reagan administration's reversal of the European gas pipeline sanctions, the Middle East peace initiative last year and the evolution in Mr. Reagan's China policy.

To all of which you could add — by way of putting some perspective on all that we have been hearing, both silly and serious, from the Reagan administration and Congress in recent days — the president's slaphappy suggestion last week that the United Nations might profit by moving to Moscow for six months of the year and his use this week of the General Assembly podium for added serious exposition of his world view.

The Washington Post.

LETTERS TO THE EDITOR

About Pakistan

Regarding "Pakistanis Defy Zia With Major Protest" (IHT, Aug. 15):

This report contained two factual errors. Hazar Khan Bijaraini has never been governor of Sind province. Zulfikar Ali Bhutto was hanged on conviction by the Supreme Court of Pakistan for complicity in a murder, not "for alleged political excesses."

S.M. ALI.
London.

KAL 007: Mixed Views

After all the outcry over the shooting down of the South Korean airliner, I wonder why nobody has bothered yet to clarify why it was at all possible that a commercial airliner could stray from its normal route. I understand that if that happened over Europe we would have collisions galore. To me this looks again rather like a political smokescreen.

ROSWITHA JANIK.
Madrid.

In response to Yossi Ben-Akiva (Letters, Sept. 12):

The suggestion that the wave of outrage after the downing of flight 007 was "simulated" and that it had little to do with "genuine concern for human lives" prompts a response. Let the writer pack his bags and speed to those peace-loving humanitarians who have aroused his sympathy by slaughtering 269 innocent human beings without the slightest indication of remorse.

MARVIN BIRD.
Marbella, Spain.

The furore over the South Korean 747 has exposed the hypocrisy and double standards not only of the U.S. government but also of the Western media. In 1973, in broad daylight, Israel shot down a Libyan civilian airliner that had strayed over the occupied Sinai, killing all 106 persons aboard. The U.S. government did not issue an official statement, much less condemn the slaughter. Nor did the media give much importance to the incident — which UN Secretary-General Kurt Waldheim called "one of the most shocking incidents in the history of civil aviation."

MUKARRAM ALI.
London.

Hope for Lebanon

Regarding "An Appeal From a Lebanese Not to Give Up Hope" (IHT, Sept. 23) by Abdallah Bouhabib:

I would like to thank Ambassador Bouhabib for his enlightening article on the situation in Lebanon.

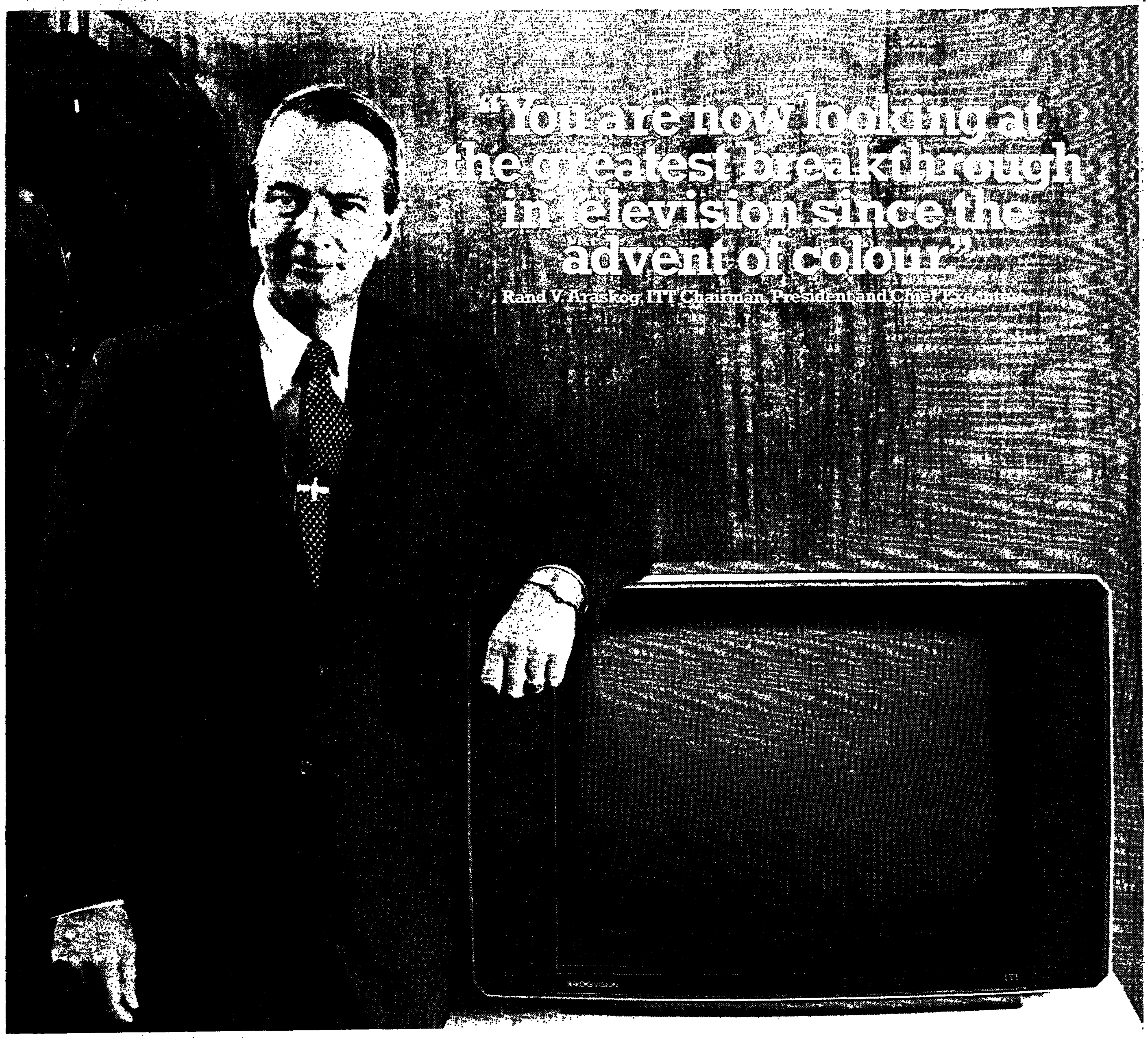
It is essential for editors to backtrack from time to time in the world's editorial pages and present such orderly and unbiased reappraisals of complex international issues, their past causes and present effects. This periodic service enables the public readership to re-attach its values, sympathies and compassion to the realities of political disputes, and, in face of their abstract and sinister intricacies, "not give up hope."

PETER SHARPE.
Paris.

Regarding "A Modern 'J'Accuse'" (Letters, Sept. 24) from Pierre Millet:

This letter from a former French ambassador was the most lucid evaluation of the situation I have read. It deserves to be published again.

ELEANOR PERREAU.
Versailles, France.



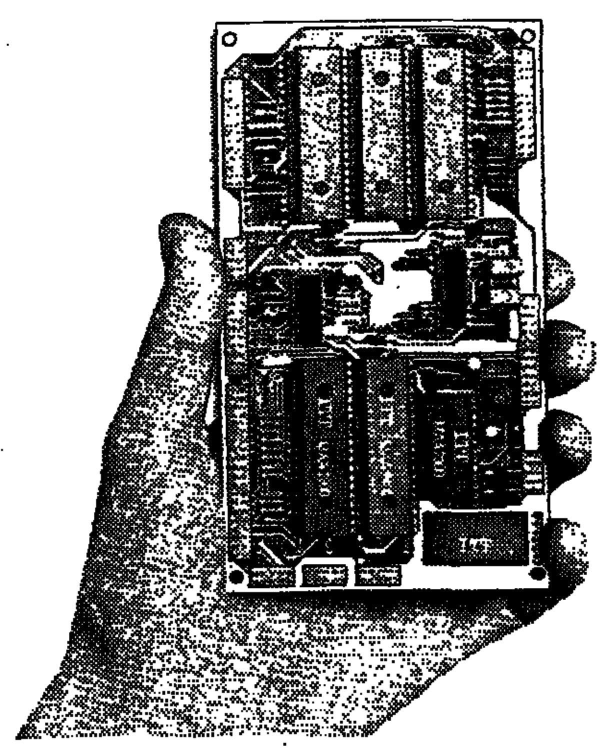
The set of ITT semiconductor microchips shown here may not look terribly exciting, but the new era of digital television they herald certainly is.

Because digital TV is capable of giving superb picture quality for the entire lifetime of the set.

But that's not all.

Because there are a mere seven microchips in ITT's colour TV set Digivision,* replacing as many as 350 parts in a regular set, it is also more reliable.

And that's still not all.



The chips in ITT's digital colour TV set actually adjust themselves for any ageing in the TV components, so routine recalibrating will become a thing of the past.

No wonder ITT is delighted to be launching the world's "first" digital TV brand.

No wonder other leading manufacturers – Japanese, European and American – are buying the chips for their own digital televisions from ITT.

And no wonder ITT's shareholders have smiles on their faces.

*A trademark of the ITT System

The best ideas are the ideas that help people. ITT

European Headquarters: Avenue Louise 480, 1050 Brussels, Belgium.

SCIENCE

Is the Molecule-Memory Next?

By Al Rossiter Jr.
United Press International

WASHINGTON — While engineers around the world race to cram more information onto the tiny silicon wafers that make today's microcomputers possible, a small but growing group of scientists is thinking in terms that would make today's chips giants by comparison.

The scientists are considering ways to pack enormous computing power into the tiniest of devices, using specially tailored groups of atoms the size of molecules as electronic memory and switching devices. A device the size of a matchbook might have far more capability than the most powerful of tomorrow's typewriter-sized computers.

The problems to overcome are as great as is the potential. Molecular electronics, as the field is known, still exists only on paper.

Dr. Forrest L. Carter, a Naval Research Laboratory chemist who is one of the pioneers in the field, is reluctant to predict when molecular electronic devices could become a reality. But he is not reluctant to speculate on the implications.

The medical potential alone is tremendous. If molecular electronic devices could be connected to the nervous system, then artificial eyes, ears and voice boxes might be possible.

Or, Dr. Carter said, it might be possible to implant a tiny device in the body of a diabetic to monitor the body's need for insulin and make it automatically according to need.

"Such computational power at low-power requirements will make independent robots practical for numerous hazardous tasks like fire-fighting, bomb loading and construction and rescue under deep-sea conditions," Dr. Carter wrote in a report for the U.S. Navy listing a wide variety of military applications.

Dr. Carter said a hand-held molecular electronics calculator might store 1 trillion words. With the capacity to memorize such an archive, a miniature computer in an automobile could display a map of every road in the world.

But the device, Dr. Carter said, could also monitor, record and even analyze every action of the driver, raising the disturbing problem of invasion of privacy.

Dr. Carter, who first wrote about molecular electronics in 1979, has organized two international workshops on the subject. His writings have sparked major interest.

Two chemists at North Carolina State University, for instance, are studying a group of molecules that seems to hold great promise of the ability to transmit, process and store information.

Keith DeArmond said he and Kenneth W. Hanck have found a way to stuff more electrons into a single molecule than ever before. The negative particles stay in different parts of the propeller-shaped molecule.

"This means the molecule would be potentially useful as a memory device because we could label the sites in the molecule and come up with an electronic code," Mr. Hanck said.

A container the size of a pencil eraser holds billions of these molecules. Such density of functional units explains the great potential of molecular electronics, but also raises problems, some of which are not yet even defined, Mr. DeArmond said.

How do you "wire" such molecules, for example? You probably don't, said Dr. Carter. He envisions molecular filaments handling the conducting chores.

But there are numerous other problem areas: how to fabricate such molecular groups, how to program molecular electronic devices and how to guarantee their reliability.

"All you need is some bright people and some money," Dr. Carter said. He considers the United States is spending far too little in the field, and thinks scientists in other countries might move ahead.

Dr. Carter said he knows of five groups in Japan working in the area. England and France also are active. Interest is developing in West Germany. He said the Soviet Union is well aware of the possibilities and Russian scientists often request copies of Western reports on the subject. All the information is in open scientific literature.

"One of the reasons I have been so open with my own work is that I don't think it's an area where any person, or one company, or laboratory or maybe one country is ultimately going to be successful in it," Dr. Carter said. "It's going to take at the basic level a very broad-based support."

CURRENTS

Artificial Bone Is Developed in Japan

TOKYO (Reuters) — A Japanese company says it has developed an artificial bone, the first of its kind in Japan, practically identical in composition to human bones.

Results of tests on animals had proved so encouraging that manmade bone transplants were expected to be common within the next two to four years, according to the Mitsubishi Mining and Cement Company.

It said delicate bone filling had been produced by molding together quantities of high-purity calcium phosphate, calcium carbonate and smaller amounts of some inorganic salts. It had also made a porous material containing tiny holes that could substitute for delicate internal portions of a bone.

Prenatal Vaccination Tested in U.S.

PITTSBURGH (AP) — A medical research team says its demonstration that babies can be inoculated before they are born could be put to good effect, especially in developing countries. "It's the first time it's been demonstrated that babies in the womb can be vaccinated," said Thomas Gill III, who leads a team of doctors at Magee-Women's Hospital in Pittsburgh. He said his team had found that tetanus vaccine given to pregnant women crossed the placenta to the fetus, which formed its own antibodies against the disease.

Prenatal tetanus inoculation could be a boon to developing nations where the umbilical cords of newborn babies are sometimes cut under unsanitary conditions, exposing the babies to tetanus, he said.

Florida Bird Said to Face Extinction

ORLANDO, Florida (AP) — Fewer than 100 Florida grasshopper sparrows are left on the Kissimmee Prairie, but wildlife officials say there's still time to save the species — if they can get federal funds.

Wildlife officials say saving the grasshopper sparrow would require restarting a land-acquisition program aimed at preserving its palmetto scrub environment. The program was scrapped when U.S. Secretary of the Interior James Watt eliminated all federal endangered species grants, costing Florida two-thirds of its $450,000 preservation budget.

Environmentalists are worried that the decline of the one-ounce birds duplicates that of one of the United States' rarest birds, the dusky seaside sparrow. Only five of that species survive, and all are male.

UCLA

The dominant male in a colony of vervet monkeys has high levels of serotonin in his blood, according to a Los Angeles reseacher.

Social Status May be Linked to a Chemical in the Brain

By Harry Nelson
Los Angeles Times Service

LOS ANGELES — A University of California Los Angeles psychiatrist who is studying the relationships between brain chemistry and social environment believes his studies with monkeys indicate that individuals may change physiologically depending on their social environment.

Dr. Michael McGuire says his research may have important implications for mental health and for drug trials of psychoactive drugs.

In tests on vervet monkeys, Dr. McGuire has found that the dominant male in a group has a level of a neurotransmitter called serotonin in the blood that is twice as high as the serotonin level in other males in the same group of monkeys. Serotonin, an "enabling" neurotransmitter and one of several chemical messengers in the brain, influences the probability that other neurotransmitters will be active.

If the dominant male is removed from the vervet group, his level of serotonin falls to the level of that of the nondominant males, while the serotonin level of the male who succeeds him as leader rises.

Dr. McGuire said that this association between a high serotonin level and high social ranking is not related to greater aggressiveness by the leader but appears to be related to the response the dominant male receives from other males. Normally the dominant male enjoys a number of privileges. He is given more space by the other males, is groomed by the females and has first pick of food and choice of sex partners.

If the dominant male is placed behind a one-way mirror through which he can see the rest of the group but cannot be seen or heard by them, his serotonin level will drop. Dr. McGuire interprets this as meaning that while the leader "sends" the usual threat behavior to the other animals, they do not receive it and consequently do not display the submissive behavior that apparently is required to maintain the high serotonin.

There is some indication that these physiological changes occur also in humans. Dr. McGuire has taken blood serotonin measurements on UCLA fraternity members and found that fraternity officers had higher levels than the rest of the members. He plans soon to do similar measurements on sorority members. Female monkeys show no difference in serotonin levels.

If social environment can influence the level of an important neurotransmitter, Dr. McGuire reasons that this physiological change as well as others that may be occurring may result in different behavior in different environments.

Behavioral tests on a male monkey while dominant and when nondominant suggested that the animal responded differently in each case.

Dr. McGuire pointed out that psychiatrically ill persons may behave differently in the hospital than when at home, and speculates that this may be related to physiological changes that occur in response to the environmental change.

It is also conceivable, he said, that the level of a particular neurotransmitter in an individual — influenced by his or her response to the environment — may help explain differences in drug requirements by similar patients.

Skull Ties Origin of Syphilis to Europe

By Philip J. Hilts
Washington Post Service

WASHINGTON — The 300-year-old skull of a Narragansett Indian girl gives some support to the theory that syphilis did not originate in the New World, but was brought by Europeans to America, an anthropologist said.

For some years, it was believed that syphilis was transmitted from North America to Europe, probably by the crew of Christopher Columbus's ship when it returned from his first voyage. By 1500, the first officially recorded epidemic of syphilis had spread across Europe.

More recently, some anthropologists have said that the disease originally traveled in the opposite direction. They maintain that syphilis was present in Europe for some years, but was called venereal leprosy, and that the Indians were subjected to the disease for the first time by the colonists of the 1600s.

Now Marc Kelley, a physical anthropologist at University of Rhode Island, has found among 60 Narragansett Indian skeletons one of a young woman who died of syphilis. She was about 17, but had such an extreme case of the disease that it had attacked and decayed large portions of the bone in the nasal cavity. It usually takes years, as long as two decades, for syphilis to cause such extensive damage, Mr. Kelley said.

This suggests that the young girl, who probably had the disease for no more than a few years at most, had no natural resistance to it. If the disease had existed for some time among the Indians, a certain amount of resistance probably would have built up, as it has in Western populations since then.

Paul Robinson, anthropologist with the Rhode Island Historical Preservation Commission, which is overseeing the dig at Kingstown, Rhode Island, said: "One of the reasons the pilgrims who landed in 1620 found it so easy to settle here is that some of the Indian populations had been nearly wiped out already."

Smallpox and measles, researchers say, were probably introduced to the Indians by the earliest European colonists. The new diseases were apparently responsible for epidemics that, in some areas, wiped out as much as 90 percent of the Indian population, Mr. Robinson said.

The skeleton of the young Narragansett girl was one of more than 60 dating from about 1650 to 1670 uncovered over the past two years after bulldozers uncovered some of the skeletons at a construction site.

Mr. Kelley said many of the skeletons showed evidence of diseases, including tuberculosis, transmitted to them by colonists. Though the skeletons had not all been examined, he said he expects to find that some also had smallpox, because 60 percent of the skeletons found in the burial site were between the ages of 3 and 17 years.

The graves contained Indian ceramics and wampum — the shell bead currency of the Narragansetts — as well as European bells, jewelry and brass pots and spoons. The mix of artifacts as well as the apparent disease reflects the struggle of the Indians with the wave of incoming European culture, the researchers said.

Turtle Operation Is Planned in U.S.

United Press International

ISLAMORADA, Florida — A 350-pound (159-kilogram) turtle who lost both front legs in a fight with a shark will undergo the world's first flipper transplant next month.

If all goes well, Lucky, a 50-year-old female loggerhead turtle, will soon be paddling about on a pair of 5-foot-long (1.5-meter) rubber flippers custom-designed for her by a tire company.

Dr. Patrick Barry, an orthopedic surgeon in Hialeah, Florida, was called in to help the turtle. He has operated on numerous exotic animals, including an elephant who suffered arthritis.

NYSE Most Actives

	Vol.	High	Low	Close	Chng
CntlCp	27590	33	30¾	31⅛	—2
MerLy s	19295	34	32½	32⅞	—1⅜
ATT	13204	65½	65	65⅛	— ¼
Tandy	12730	40	38⅛	38½	—1⅝
EastAir	11827	5⅝	5⅜	5¼	+ ⅜
IntHarv	11702	11¾	9⅞	11¼	+2½
Boeing	11466	39⅞	37⅞	38½	—1⅝
IBM	10996	129⅝	127¾	128⅝	+ ⅞
AExp s	8516	36¾	35¼	35¾	—1
WrnCm	8145	22¼	20¼	22	+ ⅞
Sperry	7797	46	43⅞	46	+1½
SouPc s	7622	37½	35¾	36⅛	—1⅛
AMR Cp	7467	28¼	27	28	+ ¾
DomRs	7440	21⅝	21⅜	21⅝	
SFeInd	7172	32¼	29½	30	—2⅜

Dow Jones Averages

	Open	High	Low	Close	Chng
Indus	1247.66	1253.56	1234.35	1241.97	— 6.00
Trans	563.95	572.21	555.17	566.32	+ 0.61
Util	134.68	135.40	134.06	134.97	+ 0.24
Comp	492.87	496.70	487.27	492.34	— 1.08

NYSE Diaries

	Close	Prev.
Advanced	651	461
Declined	854	1137
Unchanged	429	371
Total Issues	1934	1969
New Highs	33	40
New Lows	11	19
Volume up	27,802,360	
Volume down	39,131,170	

NYSE Index

	High	Low	Close	Ch'ge
Composite	97.50	97.04	97.25	—0.22
Industrials	113.91	113.34	113.58	—0.23
Transp.	93.79	92.86	93.71	—0.43
Utilities	48.57	48.51	48.54	—0.03
Finance	96.33	95.72	95.98	—0.65

Odd-Lot Trading in N.Y.

	Buy	Sales	*Sh'rt
Sept.27	182,128	389,313	1,418
Sept.26	197,539	458,207	801
Sept.23	194,761	428,661	1,609
Sept.22	175,451	402,257	1,311
Sept.21	190,887	419,381	1,297

*Included in the sales figures

Wednesday's NYSE Closing

Vol. at 4 p.m.	75,828,000
Prev. 4 p.m. Vol.	81,100,000
Prev Consolidated Close	95,381,390

Tables include the nationwide prices Up to the closing on Wall Street

AMEX Diaries

	Close	Prev.
Advanced	223	177
Declined	338	440
Unchanged	215	191
Total Issues	786	808
New Highs	9	12
New Lows	9	12
Volume up	2,912,425	
Volume down	2,901,760	

Standard & Poors Index

	High	Low	Close	Ch'ge
Industrials	191.25	188.44	189.81	—0.40
Transp.	31.02	30.26	30.61	—0.25
Utilities	67.45	66.76	67.18	+0.02
Finance	18.76	18.34	18.54	—0.17
Composite	169.32	166.76	168.01	—0.42

NASDAQ Index

	Close	Ch'ge	Week Ago	Year Ago
Composite	299.76	—1.02	303.26	168.26
Industrials	357.71	—1.14	363.10	214.37
Finance	281.64	—0.79	283.27	177.27
Insurance	264.39	—0.55	267.36	202.60
Utilities	298.21	—3.94	293.11	213.63
Banks	201.48	+0.03	200.18	134.10
Transp.	277.58	—1.22	283.24	173.79

Dow Jones Bond Averages

	Close	Ch'ge
Bonds	71.91	+0.20
Utilities	70.75	+0.43
Industrials	73.07	—0.03

AMEX Most Actives

	Vol.	High	Low	Close	Chng
ImpCh	6838	8⅛	7⅞	8⅛	+ ⅛
TexAir	2739	5⅝	5	5¼	— ⅜
ContAir	2636	4	3⅝	3⅝	— ¼
ComdrC	2408	8⅝	8	8½	+ ¼
WangB s	2133	34¼	33⅝	34¼	+ ¼
BowVal	1826	23	22⅝	22⅝	— ⅛
Bowne	1555	17⅝	17⅛	17½	— ⅛
HouOTr	1244	10½	10⅛	10½	+ ¼
Rylnd s	1236	26⅞	24½	24⅞	—2
OzarkA	1192	10½	9⅝	10⅛	+ ⅜

AMEX Stock Index

High	Low	Close	Ch'ge
234.58	233.23	233.67	—0.84

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
[illegible]										

(Continued on Page 16)

هكذا من الأصل

INTERNATIONAL Herald Tribune
Published With The New York Times and The Washington Post

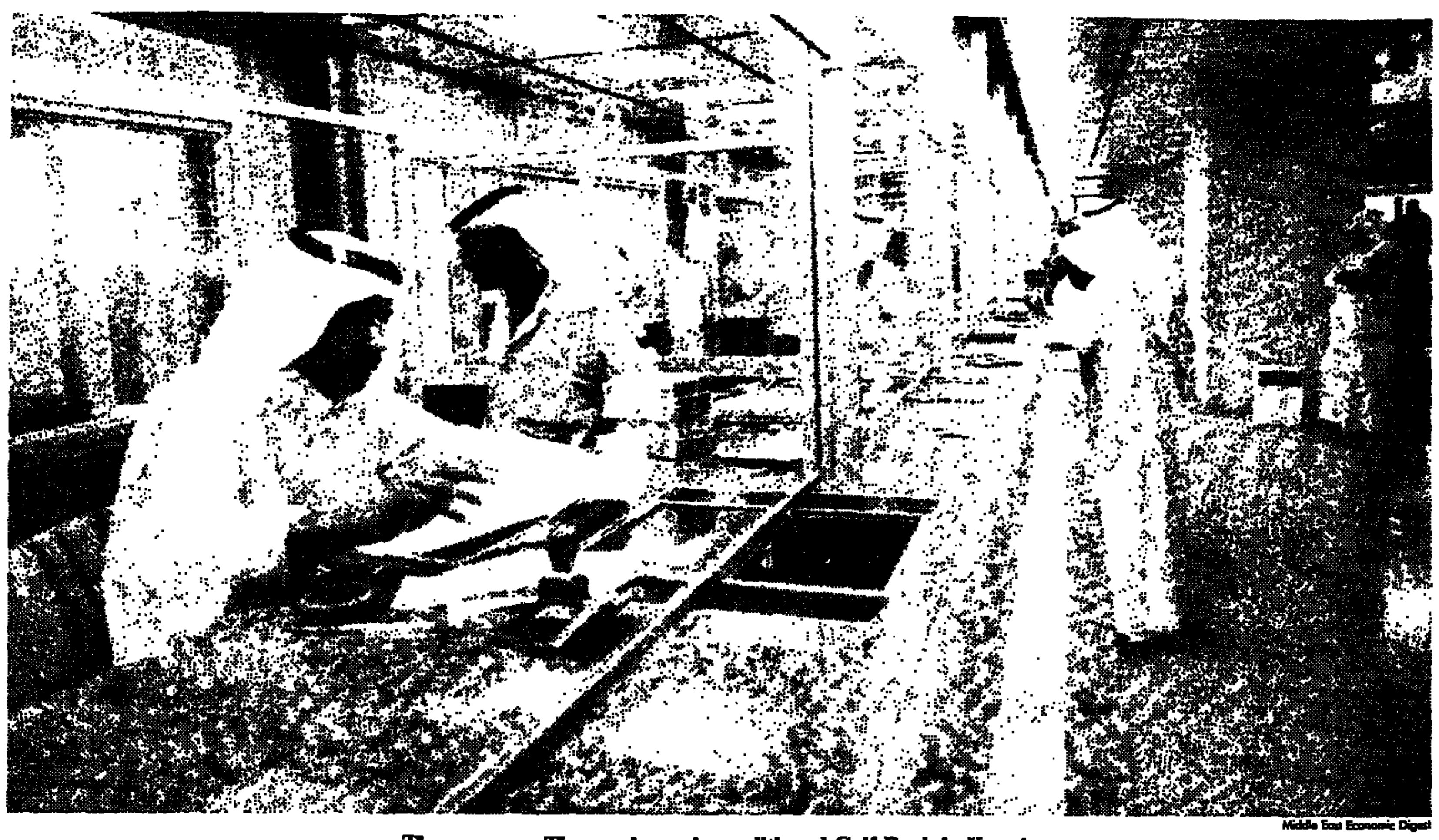
BANKING AND FINANCE IN THE ARAB WORLD

A SPECIAL REPORT — PART I

Part II Will Appear In Tomorrow's Editions

Middle East Economic Digest

The old way: A money changer at work in a Dubai street.



Middle East Economic Digest

The new way: The spacious, air-conditioned Gulf Bank in Kuwait.

Saudi Arabia's Banking Industry Facing A Lean Era as Public Spending Declines

By Brad Heller

RIYADH — Saudi Arabia's banking industry has entered a phase that bankers almost universally describe as competitive.

For a variety of reasons, led by the slowdown in government spending after last year's decline in oil demand, banking in the kingdom has slowed, too. As recently as two years ago, the average return on assets of Saudi banks was as *high as 5 percent*, making them among the most profitable in the world.

Bankers expect that figure to drop significantly this year, although by international standards Saudi banks will remain highly profitable.

"For the first time there has been competition here," a local banker said. "In the past there has been more business than the banks could handle."

Account officers once were little more than order takers with clients waiting in lines in the hall. Now they face stiff competition for the best customers.

"People have grown used to expecting too much here, both individually and corporately," a Western banker said. "Well, that's finished now. The Klondike days are over. You have to work for your money now."

The oil surplus last year brought about the changes. Saudi oil sales, which provide virtually all government revenue, dropped from a record high of $117 billion in 1981 to $78 billion in 1982. This was far short of 1982's budgeted expenditures of about $91 million. In response to the lower revenues the government cut spending to match income.

The 1983-1984 budget, announced last April, estimated revenues of $65 billion for the year and included the Saudis' first planned deficit-spending plan since before the oil boom of the early 1970s. *The Saudis expect to draw down on* their foreign investment reserves to the tune of $10 billion to cover planned spending of $75 billion.

A highly unusual statement issued in mid-August by the Ministry of Finance and National Economy gave credence to widespread beliefs of the business community that government *spending has* decreased. The *statement said* state spending dropped 6 percent from the year before, to about $20 billion, during the first four months of the current fiscal year. The government would have to pick up spending later in the year if it was to meet its expenditure target for the year.

Such a slowdown has a direct effect on the banks.

"Internally," a banker said, "it scares us. We become much more conservative as bankers. We are cautious about new loans. We don't expand."

The growth of the assets of the kingdom's commercial banks was 12.8 percent in the fiscal year ending last April. That is less than half of the 28 percent and 27 percent growth rates of the two previous years, according to statistics from the Saudi Arabian Monetary Agency, known as SAMA. And the Finance Ministry statement in August said total assets rose 8.5 percent to $38.7 billion in the first four months of the current fiscal year which ended July 10.

The government's slower spending also can be seen in the loan and deposit figures of the banks. *Private sector loans* were up by 8 percent last year to $14.8 billion but all but 0.4 percent of that growth was in the first quarter. By quarter, the growth rate was 2 percent in the second, minus 2 percent in the third and about minus 1 percent in the fourth. The banks' deposits — time and demand — rose 11.7 percent on the year. But again, most of the growth was in *the first two quarters.*

Competition from Bahrain's offshore banks, which can accept deposits from the area's governments and large financial organizations and make medium-term loans for local and regional capital projects, was dampened somewhat by a SAMA circular issued in January. The circular prohibited the kingdom's banks from using foreign banks in riyal-syndicated transactions

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Overseas Investment Policy Protects Kuwaitis Against a Series of Setbacks

By Bob Hagerty

KUWAIT — This is one of the few countries that can shrug off a drop in the price of its prime commodity, a stock market crash and a 15-percent decline in gross domestic product, all in the same year.

Despite these misfortunes in 1982, Kuwait managed to register a $5.8-billion surplus on its current account, a broad measure of trade in goods and services plus investment income.

Kuwait's resilience reflects both its small population of about 1.5 million people and its lucrative overseas investments built up over the last three decades. Lacking the population to support a broad range of industry at home, Kuwait has chosen to hold its industrial revolution abroad.

The country's $70 billion to $80 billion in foreign investments now produce nearly as much income as does its oil.

Basking in that record, *Sheikh Ali al-Khalifa* al-Sabah, oil minister and acting minister of finance and planning, said in a recent interview that Kuwait sees no reason to alter its investment strategy. "The striking thing about Kuwait is continuity," he said.

Nonetheless, some shifts in policy are apparent. The most striking one over the last few years has been *the bigger role given to* long-term equity investments at the expense of easily liquidated holdings in bonds and other financial instruments.

Early this year, for instance, word leaked out that Kuwait had acquired about 10 percent of Volkswagen, adding to its 14-percent holding in another West German automaker, Daimler-Benz.

Passive investments in a broad range of Western industry, of course, always have marked the *Kuwaiti portfolio. Recently, however, the* Kuwaitis have become more interested in investments that create scope for cooperating on industrial projects.

Bankers disclosed last year that Kuwait had acquired around 25 percent of Hoecsht, the German chemicals giant. The Kuwaitis make it clear they are interested in cooperating with Hoechst in chemical feedstocks. Hoechst has said that it plans to start buying Kuwaiti ammonia in bulk.

Kuwait also has bought about 20 percent of Metallgesellschaft, the German metals and engineering concern. Kuwait's oil industry is likely to make use of the expertise in plant construction and design of Metallgesellschaft's Lurgi unit.

The biggest entrepreneurial splash came in late 1981 when Kuwait Petroleum Corp. bought U.S.-based Santa Fe International for $2.5 billion. That gave Kuwait's national oil company a new dimension — expertise in oil drilling, pipe*line laying and* engineering. *"There's nobody* like it in the oil industry," boasted a senior investment adviser at KPC.

Already, Santa Fe's C.F. Braun subsidiary is upgrading oil refineries in Kuwait.

This year KPC rounded itself out by buying Gulf Oil's refineries, and gasoline stations in the Benelux countries and Sweden and Denmark. At a stroke, Kuwait had guaranteed outlets for its crude oil, making the country less vulnerable to slumps in crude prices.

*Where KPC will make its next push is un*clear. Sheikh Ali would not comment on reports that Kuwait may buy Gulf Oil's refining and marketing operations in Britain.

The minister, who serves as chairman of KPC, said he does not rule out investments in any part of the world. He did note, however, that Asia is a natural market for Kuwait's oil because of its proximity.

Meanwhile, Kuwait has spread its bets on exploration for oil. It has exploration interests *in several Third World countries, including* Sudan and Congo, as well as in the United States's Williston Basin and the British North Sea.

All of the money poured into the industrial West has not escaped the notice of the more fervent Islamic factions in Kuwait's National

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Middle East Economic Digest

The entrance of the Riyad Bank in the Saudi Arabian capital.

The Petrodollars: Tracing Decade of OPEC Investment

By Richard P. Mattione

WASHINGTON — Few events of the last decade so affected the global scene as did the sharp changes in oil prices. Both so-called oil shocks required a period of adjustment, during which the OPEC nations would build up sizable financial claims on the rest of the world. It was thus inevitable that international financial markets would assume a critical role in the adjustment process, and that OPEC nations would become a major factor in those markets.

The OPEC nations as a group ran current-account surpluses every year from 1973 to 1981, followed by a small deficit in 1982. It seems likely, however, that 1983 will mark the beginning of several years of substantial deficits. In spite of the long series of surpluses, it must be remembered that the surpluses have disappeared fairly rapidly after the first year or two years of a price shock. The $61-billion surplus in 1974 was followed by three years of surpluses near $30 billion and a roughly balanced current account in 1978; the $114-billion surplus in 1980 had been replaced by a $3-billion deficit in 1982. This very aggregated level of statistics, however, obscures the diverse tendencies of OPEC members in accumulating foreign assets.

The simplest split is between "high absorbers" and "low absorbers" — that is, those countries that can quickly or slowly adjust their spending to changes in income. Kuwait, Saudi Arabia, the United Arab Emirates, Qatar and Libya are the countries usually thought of as low absorbers. Their surpluses tend to last for three or four years after the initial increase in oil prices, whereas the high absorbers are running deficits within two years. The low absorbers accounted for around $354 billion, or 90 percent, of OPEC's surpluses between 1974 and 1982. Saudi Arabia alone *ran a cumulative current-account surplus of about* $170 billion during this period (these figures include official and private-sector holders), of which perhaps $130 billion is managed by the Saudi Arabian Monetary Agency (SAMA). Kuwait and the *United* Arab Emirates account for a further $85 billion and $40 billion, respectively.

Approximately $375 billion of OPEC investments during the 1974-1982 period have been identified. The largest portion, perhaps $115 billion, is held in bank deposits outside the U.S. and U.K. banking systems. Most of this is in Eurocurrency deposits, with small amounts also placed in domestic currency deposits in countries such as Switzerland, West Germany and France. Another $20 billion is held in the form of domestic dollar or sterling deposits, so that slightly more than one-third of OPEC's identified investments were in bank deposits.

The United States has been the most favored national market for OPEC investments, with net inflows of $87 billion during this period. OPEC investments in the United States are mostly portfolio investments — bank deposits, government and corporate bonds, equities. Direct investment, the focus of so much political concern in the last decade, proves to have been a minor part of OPEC's U.S. investments: The less than $4 billion identified so far includes $2.5 billion for Kuwait's 1981 purchase of Santa Fe International. Other OPEC investment outside the United States take many forms, including equities, real estate holdings, *loans to developed and developing nations, and loans to supranational* organizations.

As for any investor, the choice between various investments is guided by such factors as relative risks, returns and liquidity of the claims. In addition, during the first months after a price increase, there is an extra emphasis on short-term claims, as countries take some time to realize the shock's duration and to gather information on potential longer-term investments. Finally, toward the end of an oil market cycle, when real oil prices are falling and demand is low, the fiscal needs of OPEC's members lead to a drawdown of short-term reserves. Together these factors explain the shift toward longer-term investments that occurs several years after a

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The author is a research associate at the Brookings Institution in Washington. Besides his work on OPEC investments, he is the co-author (with Dr. Richard S. Dale) of a study on the developing country debt problem titled "Managing Global Debt," being published by the Brookings Institution this month.

OPEC Members Preparing for a Decade of Slow Increases in World Oil Demand

LONDON — OPEC's patience appears set for a long trial.

For the short term, the *news* is good. A growing chorus of oil analysts say prices are likely to remain stable or nearly so at least for the next six to 12 months. The market has recovered its balance in the six months since the Organization of Petroleum Exporting Countries, facing the threat of a plunge in oil prices, agreed to cut its official prices by about 15 percent and limit production to 17.5 million barrels a day.

But the feeble economic recovery and the effects of energy conservation make prospects remote for any significant increases in price or output, most analysts say. *In the United States,* demand for oil products was up 2 percent in August, but there is little sign of an upturn elsewhere. "I don't think we've yet seen the turnaround in demand," said John Gault, senior economist at *International* Energy Development Corp. in Geneva.

A sign *that the market has at least calmed* is that more analysts are willing to advance long-term forecasts, which are notoriously risky. Most see a slow increase in oil demand over the rest of the decade.

Tor Meloe, chief economist at Texaco, recently forecast that demand in noncommunist countries would grow gradually from about 44 million barrels a day this year to 49.5 million in 1990, well below the 1979 peak of 52 million.

OPEC's share of that demand, *he predicted,* will grow from the present level of about 18 million barrels a day to 24.3 million in 1990, or about seven million barrels below the 1979 level.

Texaco's picture, similar to those presented in other recent forecasts, *suggests that* OPEC countries will have to accept output well below their capacity for years to come. The question is how long OPEC will be able to keep its 13 member countries in line.

So far, the organization is resisting a temptation to raise prices or production quotas. At a *meeting in Vienna in September, OPEC's mar*ket-monitoring committee called for preserving existing rules even though output has edged above a ceiling of 17.5 million barrels.

The four oil ministers on the committee reasoned *that the extra sales may prove temporary,* largely reflecting a move by Western oil companies to build inventories for the winter.

Analysts generally say OPEC was wise to defer policy changes. Had the pricing and out*put debate been reopened, a London bank* economist said, "They might have all started disagreeing with each other violently, and it wouldn't have looked very good."

But sooner or later OPEC probably will have *to go through the agony of deciding* whose quotas will be increased and by how much. Already, several members — notably Nigeria, Iran and Saudi Arabia — are believed to have exceeded their quotas substantially, raising the question of how long the limits will remain effective psychological medicine for the market.

The doubts persist *even though* OPEC has proved more cohesive since the March price cut than most analysts expected. "They are not out of the woods yet," said Lawrence Goldstein, an economist at Petroleum Industry Research Associates of New York. "*They should come* through," he added, "but it's still speculative."

Sheikh Ali Khalifa al-Sabah, Kuwait's oil minister and acting minister of finance and planning, allows that some OPEC members behaved irresponsibly last year, when cheating undermined OPEC's price structure. But he in*sists that OPEC countries have learned their* lesson and are not likely to risk a price collapse again.

"These are rational governments," he said.

In the bid to preserve discipline, OPEC's biggest power remains Saudi Arabia, which slashed its production earlier this year to restore balance to the market. The Saudis, anxious about the drop in oil consumption, have long *made it clear that they favor an extended price* freeze.

Now the Saudis have a new tool to help them get their way: Norbec Ltd., a small, Switzerland-based company that the Saudis recently *began using to market some of their crude.*

Even before Norbec, the Saudis were capable of pushing up their oil sales to damp down pressure for price increases, but the new trading company gives them added flexibility to move in *and out of the market quickly.*

Analysts at Petroleum Intelligence Weekly in London call Norbec "a fine-tuning mechanism" and say it is likely to help keep a lid on prices.

Whatever the downward pressures on prices, *Middle East politics are an ever-present risk to* forecasts. France's plan to deliver five Super Etendard aircraft to Iraq increased fears that the Iran-Iraq war could cut further into the flow of oil from the Gulf.

Even so, 10 years after the Arab oil embargo sent prices surging, the oil weapon is looking considerably *less* potent. Few *OPEC* countries can readily afford to cut their output further, and supplies from countries outside of OPEC now account for nearly two-thirds of oil sales in the noncommunist world.

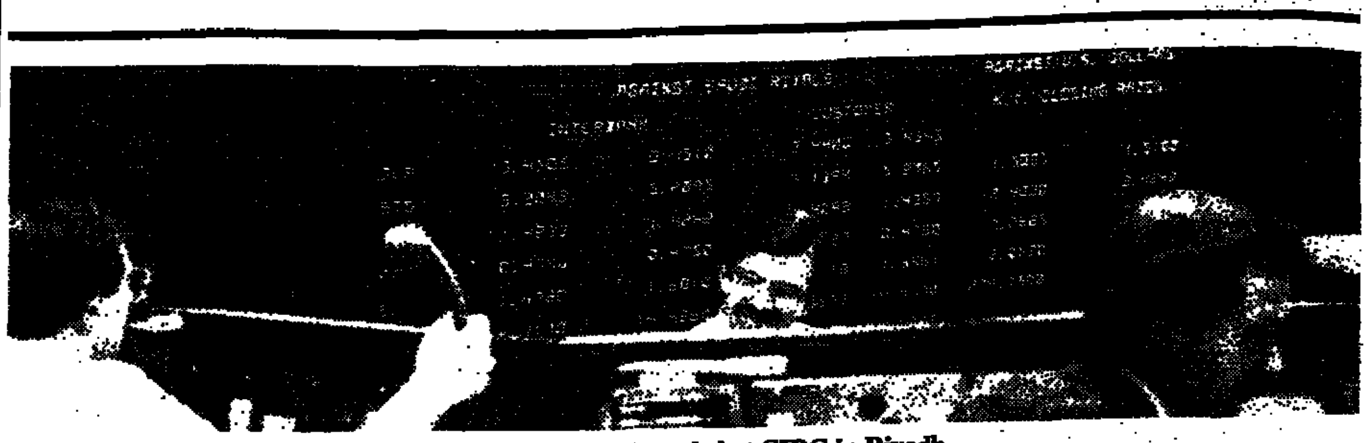
After nervously bidding up prices and building huge inventories in the 1970s, Western oil companies *now hold* their *stocks* to what most experts consider minimal. That leaves OPEC with the burden of carrying most of the world's inventory.

In a clear sign of the new attitude, oil traders were unruffled this month when Ayatollah Ruhollah Khomeini, the Iranian leader, threatened to cut off supplies from the Gulf if France went ahead with its plans to deliver the aircraft.

"The market is not taking it seriously," an oil trader in London said. "In 1979, if this kind of statement had been made, the market would have seen a *jump of a dollar.*"

— BOB HAGERTY

BANKING AND FINANCE IN THE ARAB WORLD



Foreign currency is traded at SIBC in Riyadh.

Egypt Challenged by Payments Deficit

By Olfat Tohamy

CAIRO — The Egyptian economy faces challenges on two fronts: The government is seeking to reduce the balance of payments deficit while its main sources of revenue have been contracting, and difficulties are surfacing in the attempts to restructure the economy to make it more resilient.

Egypt has passed through a bottleneck in the last half of the fiscal year ended in July. It suffered considerable losses in projected revenue because of a drastic drop in international oil prices.

A preliminary report by the Planning Ministry shows that Egypt's gross national product of 36.5 billion Egyptian pounds grew at a rate of 7.5 percent instead of the projected 8 percent.

Earnings from oil, Egypt's main export product, dropped by one-fifth, to 1.5 billion pounds. Production was off slightly and international prices down.

Egypt's second foreign-exchange source, remittances from Egyptians working abroad, is highly dependent on conditions in oil-producing countries, but the worsening situation seems to have had minimal impact on these transfers. Last year, they amounted to 2.1 billion pounds, compared with the previous year's record 2.4 billion pounds.

The other two main sources, Suez Canal tolls and tourism, remained stable at about 700 million pounds.

The government is hoping to reduce the net deficit over the period of a five-year plan started last year from more than 2 billion pounds two years ago to 1 billion.

The deficit problem began during the period of expansion in the late 1970s. It is largely the outcome of a tilted balance of trade. Egypt continues to import more than three-quarters of its food.

The country's import bill exceeded 1.2 billion pounds last year in spite of government efforts.

The latest figures show that the net deficit was nearly halved last year to 1.3 billion pounds, an achievement considering the drop in revenues.

Decision-makers are trying to restructure the economy by increasing investments and production of commodities. But modest increases in agricultural and industrial production have been offset by the decrease in oil production.

This year's investment budget demonstrates the government's inability to allocate more funds for the development of the commodities sector. The services sector received about double the investment channeled to the production of commodities.

The government relies heavily on the public sector to implement its development plan and continues to favor it through policies such as subsidizing production inputs and loans. The plan envisions that the public sector investments will constitute three-quarters of the total, with an emphasis on industry, while private sector activities concentrate on housing, tourism, agriculture, and small-scale industries such as food and textiles.

The government has embarked on a financial and monetary policy focused on reducing the money supply. This is an attempt to adapt the economy to dwindling revenues, shift expenditures from consumption to investment, and fight inflation that is running at a rate of more than 20 percent.

The Ministry of Economy and Foreign Trade said recently that the drop recorded over last year was from 44 percent to 26 percent. The government has also adopted measures that could negatively affect foreign and private investment, including drastic tax increases on all forms of private investment, especially commercial activity, and raising customs on finished products.

The government also has resorted to differentiating rates of interest on credit to orient investments toward commodity production.

The greatest challenge in the absence of an alternative to deficit-financing through note-issuing remains public spending. It is expected to grow over the period of the five-year plan at a rate one and a half times that of private spending.

Contributing to the government's burdens are debt-servicing requirements, which use up one-quarter of public funds, and subsidies of goods and services, which require another quarter of public funds. The subsidies encompass bread, education extending to the graduate level, gasoline and cotton fabric. In addition, government employees receive a number of benefits.

Despite the peace with Israel, defense spending does not appear to have declined.

The Petrodollars: Tracing Decade of Investment

(Continued From Preceding Page)

price rise. Overall, it appears that the U.S. freeze of Iranian assets did not have a lasting effect on OPEC investment preferences. High real interest rates, the depth and range of U.S. financial markets, and the strength of the U.S. economy have been far more important determinants of the renewed preference for U.S. investments.

For all OPEC nations, the investment strategies result largely from the interplay of three groups of factors: oil policy, development policy and financial criteria. Those three factors play very different roles in the individual OPEC strategies, however.

Saudi Arabian financial planners, for example, find themselves in a unique position because Saudi oil policy itself is reacting to different conditions in Saudi Arabia than in other nations. The country's substantial oil reserves and ability to adjust production over a wide range provide both incentive and means to respond to oil market conditions. Thus the direct effect of higher or lower oil prices on the surplus is compounded by any adjustments in Saudi production aimed at moderating oil price rises. And, despite the country's classification as a low absorber, both expenditure and the growth rate of spending have been quite high. These economic factors reinforced the Saudi reluctance to make long-term investments, even when oil policy led to large surpluses.

Liquidity and safety have been the hallmarks of the Saudi financial strategy. Both the choice of currencies (mostly dollars, with important amounts of mark and yen securities) and instruments (primarily bank deposits and medium-term bonds, with small amounts of equities) emphasize this tendency. The rate of return has not appeared prominently in Saudi decisions, but this must be interpreted carefully. The interest rate is scarcely irrelevant, but it only enters decisions after other criteria, especially liquidity and safety, have been satisfied. These same factors put some limits on Saudi desires to diversify the portfolio.

Kuwait, on the other hand, is the OPEC nation least constrained by considerations of oil or development policy. This allows longer-term considerations to play a greater role in placements of the funds. One particular portfolio, the Fund for Future Generations, is legally not supposed to be tapped before the 21st century.

The Kuwaitis have emphasized international finance as an alternative development option for the economy. Because liquidity is not so overwhelming a consideration as in Saudi Arabia, the Kuwaitis have been more aggressive in seeking high rates of return. This has led to a greater emphasis on Eurobonds, stocks and direct investments. There also has been a greater interest and ability to diversify currencies and financial instruments in their portfolio. Thus, while the Kuwaitis have placed far more than $10 billion in U.S. equities and direct investments, their other equity holdings include European, Japanese and developing country entities. The Kuwaitis, through the Kuwait Petroleum Co. (KPC), also have been much more active in foreign energy investments than other OPEC producers.

The strategies of the other low absorbers (the United Arab Emirates, Qatar and Libya) fit somewhere on the spectrum between those of Saudi Arabia and Kuwait. Of the high absorbers, only Iran has made significant equity investments, and those date back to the late shah's reign. Other OPEC members usually limit their investments to Eurocurrency deposits because of their pressing liquidity needs.

Past investment strategies provide many clues as to future OPEC investment moves, even though oil market conditions have changed considerably in relation to the conditions under which the surpluses were accumulated.

Saudi Arabia has been the center of attention on this question, too. The size and liquidity of their holdings, however, put the Saudis in a favorable position to ride out a short- or medium-term oil market glut. Of course, budget restraint is still necessary if they expect medium- or long-term pressure on oil prices or production volumes. In fact, the Saudis appear to be reacting this way, although it is too early to say whether they will successfully control spending.

While the current deficit eliminates most of the pressure for diversification into equities or non-dollar securities, it is conceivable that the dollar-denominated share of the portfolio could decline if such securities were more liquid. The exact proportion will depend on expected interest-rate and exchange-rate movements. If there is any major change in Saudi behavior, it might be connected to the industrialization program. In particular, it would seem appropriate to take part in overseas joint ventures that use the basic products from Saudi petrochemical facilities now coming on line. But, even though this would seem a logical move on economic grounds, the political fallout makes such a move unlikely.

The Kuwaitis should be relatively unaffected by the glut, since their investment income is more than sufficient to cover the gap between budgeted expenditures and oil revenues. The collapse of Kuwait's unofficial stock market is probably a more severe constraint on overall Kuwaiti financial policies. Besides a general interest in equities, the Kuwaitis continue to show a special interest in finance and energy investments. As of now it would seem that KPC already has bought the operations it needs to perform as an integrated oil company, but further purchases cannot be ruled out. The Kuwaitis are also well-represented in international finance, making new banking ventures unnecessary.

Qatar and the United Arab Emirates are not under much pressure now. The glut will, however, remove the impetus for further diversification. In particular, it does not seem necessary for them to become involved in new energy-related or financial ventures overseas, except to the extent that those ventures complement existing projects.

The fall in oil prices already has put heavy pressures on the finances of other OPEC nations. It should be noted that, as a group, the high absorbers already have spent most of the funds accumulated as a result of the second oil shock. The success of the Algerian and Iraqi loans earlier this year may be difficult for any of these countries to repeat.

It is useful to close with a brief look at the role of Arab banks in international markets. There are three main groups of Arab banks. The first includes those institutions established by the mid-1960s (such as the National Commercial Bank in Saudi Arabia and the National Bank of Kuwait), which were oriented to the domestic development opportunities available following the region's oil discoveries. The next group consists of Arab banks founded in the early 1970s. Many of these were Arab-Western consortia designed to give Arab banks an entry into international markets through the assistance of the Western partners. The last group, which includes pan-Arab institutions (such as the Arab Banking Corp. and the Gulf International Bank), were established after the second oil shock, both as an alternative means of recycling surpluses and as a way of obtaining higher returns on investments.

Arab banks began to play a noticeable role in international markets around 1977. One of the quickest ways to build a new bank was through international syndications, and several of these banks rapidly worked their way into the upper ranks of international lists by virtue of their placing power. Not surprisingly, there has been an important concentration on Arab borrowers, but Arab banks have made loans worldwide. In general, these banks found it harder to win the business of major Western borrowers, especially corporations.

Because of the problems with developing country debtors, this initial strategy has become less attractive. This has led Arab banks to consider alternatives, especially trade and corporate financing, and investment banking. Trade and corporate financing could favor the banks established prior to 1970, because they already have built a customer base. Banks in the third group (especially the large pan-Arab consortia) might also break into this market solely because of their size. Investment banking seems a less natural line of business; a large share of regional funds are government-owned and already managed by finance ministries, while a corporate customer base is needed for other investment banking activities. The current situation also has led to a renewed desire for claims on U.S., European and East Asian borrowers. These segments of the market, however, are being pursued by all international banks, Arab or non-Arab, and are therefore less profitable. Arab banks eventually can succeed in these areas, but it will require a long-term commitment to building customer relationships and the trained staff needed to service those customers.

BANKING AND FINANCE IN THE ARAB WORLD

'The Easy Money Is Gone' as Overcrowding Slows Bahrain's Banking Industry

BAHRAIN — When Henri Derkx was scrounging around for a niche in Bahrain's banking industry, he fastened on to the Kuwaiti dinar.

The spread between bid and offer prices for the currency was so wide, said Mr. Derkx, general manager of United Gulf Bank, that "you could drive a truck through it." So the two-year-old bank exploited its base of dinar deposits by moving in with more aggressive prices. It became the leading source of firm buying and selling quotations.

Like United Gulf, many of Bahrain's newer banks are seeking out profitable niches. But not all of them are succeeding; the island's banking industry, most bankers agree, has become overcrowded.

Starting in the mid-1970s, banks of every description poured into Bahrain, most with the idea of using the island as a base for penetrating Saudi Arabia, Kuwait and the other oil-soaked states of the region. Bahrain, whose own oil industry is small, built up a banking center to replace war-stricken Beirut as the hub of the Middle East.

Although Bahrain seems secure in that distinction, the easy money is gone. The fall in oil revenues chokes government spending, especially for construction, a prime source of financing business. At the same time, Saudi Arabia restricts the activities of Bahrain-based banks to encourage the development of the Saudi banking industry. The Iranian-Iraqi war and the shambles left by last year's collapse of Kuwait's unofficial stock market discouraged investment throughout the region.

"Everybody claims that business is as usual, which is not true at all," said an American executive at an Arab-owned bank opened last year. "There's very little good business available."

For the banks lacking a solid base of customers, the only games in town are borrowing and lending on the interbank market and speculating on the foreign exchange market, not a guaranteed route to profit.

To build up earning assets, they have little choice other than joining syndicated loans. Thus many banks gather their funds on the short-term interbank market and lend on a long-term basis, deriving a thin profit and, in some cases, taking on dubious risks.

Some of the newer Arab banks are believed to be having trouble in their search for business. Branches of Western banks are retrenching or at least refraining from hiring new staff. Security Pacific National Bank of Los Angeles earlier this year closed its foreign exchange trading desk and cut its staff to the bone. Even Citibank, whose Middle Eastern business is established, has trimmed its staff to 185 from 200 a couple of years ago.

A Western currency-trading executive calls the situation "a very normal, healthy slowdown," forcing banks to review their reasons for maintaining an expensive presence in Bahrain.

Many of the international banks in Bahrain are concluding that they will have to offer even more sophisticated services — to move "upmarket" — if they are to avoid being overtaken by the rapidly developing local banks in each Arab country.

"Bahrain has to always stay on its toes," said Khaled M. al-Fayez, general manager of Gulf International Bank. That bank, formed in the mid-1970s and owned by seven Arab governments, relied heavily on syndicated lending for its initial growth. Now the bank pushes harder to issue and trade certificates of deposits and floating rate notes, and to provide other merchant and investment-banking services.

Arab Banking Corp., owned by Libya, Abu Dhabi and Kuwait, also took the syndicated-lending route, building its assets to $8 billion in its first three years.

(An insider said the Arab Banking Corp.'s lending to Latin American debtors is about equal to the bank's equity capital of nearly $1 billion, a sizable exposure but proportionately much smaller than those of such banks as Citicorp and Chase Manhattan.)

Arab Banking Corp. is diversifying into investment banking, partly through Richard Daus and Co., a Frankfurt-based bank acquired in 1982.

Below those two banks, whose huge injections of government capital have made them well-known international banks practically overnight, are dozens of smaller Arab-owned banks struggling for recognition.

Aside from its Kuwaiti dinar dealings, United Gulf is trying to distinguish itself by offering financial futures. The bank plans to buy a seat on the London International Financial Futures Exchange. As "another new Arab bank," United Gulf "has got to identify its own special niche in the market," said Mr. Derkx, a former Citibank executive recruited to run the new bank.

Bahrain Middle East Bank, formed last year, is dashing for growth at a time when other Arab-owned banks are treading cautiously. The bank's flamboyant chief executive, Katch Katchadurian, has brought about 30 non-Bahrainis in to run the bank, while larger banks get by with a handful.

"The Arab world has not had a global bank yet," Mr. Katchadurian said. By suggesting that he will build one, Mr. Katchadurian has irritated rival bankers. He is unrepentant: "One takes advantage of a depressed situation."

Mr. Katchadurian plans to amass business by offering sophisticated financial advice to mid-size Arab companies. The bank also is about to introduce an investment fund drawing on money market instruments in various currencies. Other banks, notably Kuwait and Asian Bank and Arab-Asian Bank, gear themselves to act as a bridge between the Middle East and Asia, although rival bankers say the results so far have been meager.

Citibank is deploying a range of new "products." Among them are a foreign exchange forecasting model and options on currencies, which help building contractors and others hedge currency risks. It also contemplates a money-market mutual fund for expatriates based in the region.

Bahrain's big domestic banks, being less dependent on overseas business, concentrate mostly on the local market. But even they feel the pinch. National Bank of Bahrain considers leasing opportunities and may establish representative offices in other banking centers. "We have outgrown the market," said N.A. Nooruddin, general manager and chief executive officer of the National Bank.

Almost every bank goes after private individuals in need of investment management, but most bankers concede that the competition is ferocious. "The big guys already have their contacts in Europe," said Mr. Derkx of United Gulf. This leaves Bahrain-based banks to fight for the second tier, people with $2 million to $10 million jingling in their pockets.

— BOB HAGERTY

National Disaster: Ravages of the Stock Market Crash Continue to Divide Nation

Special to the IHT

KUWAIT — When Kuwait's national assembly passed a key bill representing the first step in solving the stock market problem, the financial community breathed a sigh of relief.

The bill, which is designed to cut the premiums on forward share deals, was especially welcomed by the banks.

Before the bill was passed in August, the country faced the prospect of a wave of bankruptcies — 1,680 in all — as a direct result of the crash of the *souk al-manakh*.

The government admits that despite the legislation 500 additional bankruptcies could occur over the next two years.

All this is taking place in one of the world's richest countries and in one of the world's soundest, oil-backed economies.

Because of the depth of wealth in the country, Kuwait will eventually pull through. But no component of Kuwait society has emerged from this crisis unscathed; the crash touched the merchant community, the government, the national assembly and even the ruling family.

Furthermore, the crash of the *souk al-manakh* has pitted family members against each other as they try to salvage their fortunes against a tide of stock market debts.

The story of how some of the world's richest people became some of the most indebted precedes the crash of last September.

In the early 1970s, when oil prices rose rapidly, the first priority of the Kuwait government was to ensure that its ordinary citizens felt the impact of the growing state wealth. A general business boom followed with a splurge in spending. This enabled many Kuwaitis to become rich, and being both conservative and patriotic, many preferred to invest their wealth in Kuwait. They were encouraged by the government.

However, investment opportunities in Kuwait were limited compared with the sheer volume of funds that were being poured into the system. Not surprisingly, interest focused on the stock market.

The Kuwait stock markets — both the official one and the unofficial *manakh* exchange — suffer from two sources of instability. First, there is too much money chasing too few shares. The official market has fewer than 50 companies listed on it; the unofficial has even fewer.

Second, Kuwaitis rarely buy a particular share because the company has performed well or is brilliantly managed. They buy rather on the perception that the market is moving upwards. There is very little, if any, scrutiny of balance sheets, and annual meetings are sparsely attended. Share prices therefore have little relation to profits and earnings. Most Kuwaitis view their stock market dealings as speculation, rather than as long-term investments.

The mentality was understandable in that share prices usually went one way — up. In 1977, prices collapsed, and investors immediately looked to the government for help. After all, investing in the stock market had been officially encouraged. They got help.

Financial analysts, looking back, view the government's decision then to bail out investors as the greatest mistake made for the long-term future of the stock market. When the government moved in, buying up shares to support prices, it established a psychology among investors that whatever happened, the government would be there to protect them. Such was the background of the *souk al-manakh*.

The *souk al-manakh* exchange developed for a number of reasons. The prime one was that a number of companies registered in Bahrain and the United Arab Emirates looked to Kuwait for financing. Their success was overwhelming. When shares were offered to the Kuwaiti public, they were oversubscribed many hundreds of times.

Another major factor in the *manakh's* success was that the Gulf company shares were cheap. Individual shares sold for pennies, the cost of a newspaper, whereas the official exchange prices for prime stocks were frequently more than the equivalent of a $100 each.

Thus the official market was dominated by the big players, the wealthy merchants whose deals ran to hundreds of millions of dollars daily and whose "small" investors made transactions of, say, $3 million.

On the *manakh*, the stakes were small, and the rewards high. By 1981, when the market gained a home on the ground floor of a central parking garage, fortunes were being made. Prices were doubling every few months. Everyone, from taxi drivers to sheikhs joined in, and because prices always seemed to be soaring, dealing forward became the most popular method of trading. So, unfortunately, was the use of the postdated check as a method of payment.

Despite signs that the situation was getting out of control, the government largely ignored what was happening on the *manakh* exchange. After all, officially the exchange did not exist. All the companies listed were outside the country and beyond the commercial law of Kuwait. At the time of the crisis, the finance minister was not even in the country, nor did he hurry back from an overseas conference.

Within a month of the crash, however, the dimensions of the problem began to be seen. A specially appointed clearinghouse determined that about $94 billion worth of postdated checks were held by investors. Not all of these were due from the *manakh* exchange, one-third were for dealings on the official market, where share prices dropped 90 points. On the *manakh* they had dropped by 80 percent.

Since then, the government has had to spend about $5 billion of public money, the equivalent of almost a year's investment income, to establish a compensation fund for small investors and a support fund for the official market. It has also had to inject liquidity into the banking system. The government continues to spend about $3 million a day to prop up share prices and as a result has absorbed about 40 percent of the total market.

The support fund was a vital part of the government rescue, for without it, the banks would have been undercollateralized. It was largely as a result of pressure from the Central Bank that the legislation to cut premiums was floated by the government; although direct involvement by the banks was negligible, many stood to face large loan losses if major customers were bankrupted.

There have been no settlements between dealers as yet. This is because the government-appointed arbitration panel is still trying to assess the worth of the major dealers — the "knights of the *manakh*"

(Continued on Following Page)

Investment by Kuwait

(Continued From Page 9)

Assembly. Unsatisfied with Kuwait's huge handouts to the Third World, they want more investment in Islamic countries.

So far, the government has obliged by backing such projects as sugar farming in Sudan and banana plantations in Somalia. Kuwait also is a shareholder in many of the pan-Arab financial institutions set up during the last decade — among them the Arab Banking Corp., the Gulf International Bank and the Arab Insurance Group.

The 1979 freeze on Iranian assets in the United States, imposed while Iran held Americans from the U.S. Embassy hostage in Tehran, convinced many Kuwaitis that the West does not offer ironclad safety. Even so, Kuwaiti bankers and government officials say the country still highly values the West's political stability.

Sheikh Ali said that Kuwait was always open to further investments in Islamic countries. But, he said, "In the final analysis ... the bottom line is the deciding factor."

Western bankers generally praise Kuwait's ability to protect its bottom line. "They have got a good reputation for investing," said David F.V. Ashby, chief economist at Grindlays Bank in London, "and they deserve it."

Since the Kuwaitis disclose little, however, it is impossible to assess the overall performance. One investment that went sour is the Kuwaitis' large stake in Korf Stahl, the small German steelmaker that went into receivership earlier this year.

Observers of Kuwait were surprised recently when the Kuwaiti Central Bank announced that investment income in the year ended June 30, 1982, fell 22 percent to the equivalent of $4.7 billion from $6 billion a year before. For the most recent fiscal year, which ended last June 30, Kuwait has estimated that investment income recovered to $5.5 billion.

There has been no official explanation, but Kuwait bank economists speculate that the sharp decline reflects three factors: withdrawals from reserves to help Iraq wage war against Iran; a shift in the Kuwaiti portfolio from dollar securities to lower-yielding yen paper, and the large outlay for Santa Fe.

Sheikh Ali played down the significance of the decline. He said that KPC's profits, for example, are the fruits of overseas investment but are not recorded in the Central Bank figures. "These figures can be extremely misleading," he said.

Saudi Arabia: Banking Sector Faces Lean Era

(Continued From Page 9)

without prior approval. The direct effect was limited, local bankers said, but it signaled several factors: First, the kingdom intends to protect the domain of the local banks and force them to increase their professional standards; secondly, it wants to keep the riyal out of the international market; and, thirdly, it wants more control over the local banking industry.

"It's given the local banks a boost," a banker said. "It makes bankers think they should talk and cooperate and share the local business." The Bahrain bankers also are making fewer visits to the kingdom.

But the licensing of the kingdom's largest money changer as a commercial bank could provide a new source of competition from within. Al-Rajhi Company for Cur-

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BANKING AND FINANCE IN THE ARAB WORLD

Decline in Oil Revenues to Squeeze Arab Banks' Euromarket Activities

By Tim McGirk and Eva Dadrian

LONDON — Now that the pool of petrodollar funds has shrunk, Arab banks are forced to limit their Euromarket activities even more severely than their recession-ridden foreign competitors.

Few Arab banks had international operations before oil prices began soaring in the early 1970s. Today, there are at least 80 Arab financial institutions in London and Paris — too many, some banking experts said, at a time when the major Arab oil producers have watched their combined revenues fall from a $90-billion surplus in 1980 to possibly a $1.5-billion deficit last year. One Arab banker noted grimly: "There is simply no new cash available."

With the exception of Iran and Iraq, which are putting billions into their endless Gulf war, most of the Middle Eastern countries have chosen to cut back on internal spending rather than reach too deeply into their foreign investments. Statistics from the Bank for International Settlements show that from 1981 to 1982, when oil demand and prices both fell in tandem, total assets on deposit fell by nearly $15 billion, to $70.4 billion.

Most of these funds are kept on short-term call, not with the Arab banks but with the American, European and Japanese giants. This failure to keep the petrodollars in the family has been a source of irritation among Arab bankers, one that has become all the more acute as Middle Eastern governments slide into deficit.

How well Arab banks can fend for themselves in the Euromarkets now that the Middle Eastern producers have gone from big lenders to net borrowers will depend on each institution's own ingenuity. Until now, most Arab banks have limited their activities to a bit of syndicated lending; their big profits were raked in by simply depositing their capital at high-interest accounts with other institutions. The danger is that, with little syndicated lending going on in the markets and with interest rates on the interbank market slightly lower today, some Arab institutions lack the flair and imagination to diversify or agressively seek mandates into other money-spinners.

However, the Arab-European consortiums, such as Arab Banking Corporation, Gulf International Bank, the Union de Banques Arabes et Françaises and the Banque Arabe d'Investissements Internationaux, have shown the necessary financial nimbleness in syndicated lending and in the bond market to maintain a steady growth. According to the Euromoney syndication guide, Gulf International ranked 20th in the world with 14 loans in the first quarter of 1983, worth $193.61 million. The Arab Banking Corporation lead managed 11 loans worth $144.83 million during the same period.

In general, however, Middle Eastern borrowers have been just as reluctant to let Arab banks act as their lead managers as they are about letting them handle their petrodollar deposits. Compared to borrowers in Latin America, Africa and Eastern Europe, the Arab oil producers have a sterling credit rating, and the local banks find themselves fighting for mandates in the same ring as the world's largest banks. As the Gulf states begin resorting to the Euromarkets, there is no guarantee that Arab banks will be given favored status.

There are exceptions, however. When Iraq turned to the Euromarkets after exhausting most of its $12 billion in foreign reserves in the Gulf war and when its Gulf neighbors such as Saudi Arabia and Kuwait were no longer able to provide huge, interest-free war loans, Saddam Hussein's government turned to UBAF to lead a $500-million loan to the Rafidain Bank last January. Following the lead of the major international banks has landed several Arab institutions with bad loans. Both Arab Banking Corporation and Gulf International Bank have loans outstanding to Mexico. ABC has $410 million and GIB has $257 million.

An executive at a prominent Gulf bank said: "We are taking fewer risks. The situation in Latin America is such that we have decided to halt investments there." Brazil, too, once an Arab favorite, has had its interbank lines cut way back. Eastern Bloc countries are also seen as too risky. An officer at a leading Arab bank in London said: "I don't think that any Arab bank will lend money to Poland, for example. It has nothing to do with communism. What concerns us is the borrower's credibility and stability."

Since the main Arab oil producers — Saudi Arabia, Kuwait, Iraq, Qatar, the United Arab Emirates, Libya and Algeria — are no longer awash with excess revenue, local banks are preparing to offer better management of existing funds. The wealthy private investor, burned by the collapse of the *souk al-manakh* stock market in Kuwait, now seeks less speculative places for his funds. The task confronting Arab bankers is to persuade the Kuwaiti millionaire, for example, that money-market instruments are a better investment than ranches or skyscrapers in the United States or Canada.

"After the crash, investors are looking abroad even more than they used to," a London-based Arab banker said. The Kuwaiti government's hard times offer another possible boon to Arab bankers: for the first time, Kuwait is pondering whether to tax its citizens, so investors may soon scurry to place their funds in overseas tax havens.

Several Arab institutions are branching into merchant-banking services to cater for increasingly sophisticated clientele. Some, like ABC, with its purchase of Richard Dans & Co., in Frankfurt, have simply shopped around for it; others, such as the National Bank of Kuwait, have chosen to open up brand new investment management facilities. Their London operation is called NBK Investment Management. In Bahrain, a new investment bank, called Investcorp, was set up with $200 million capital. It dabbles in everything, from U.S. corporate bond issues to Swiss real estate. According to a Bahrain-based banker, "The Gulf investor is much more canny after the *souk al-manakh* crash; he realizes there are other, more prudent options." A banker, who handles investment portfolios in the U.A.E., said: "Our clients now seem to prefer direct and solid investments — corporate finance in local oil and gas industries and also real estate."

The growing protectionism in the Gulf — and particularly in Saudi Arabia — may give the Arab banks an edge over the foreign ones in regional activity. In January, the Saudi Arabian Monetary Authority began curbing foreign banks from participating in transactions based on the Saudi riyal. Saudi banks operating in Bahrain and other offshore centers were similarly restricted. SAMA is worried that the riyal might become too international a currency for their liking.

Kuwait has also joined Saudi Arabia in limiting the number of foreign banks they are admitting. Even Bahrain's monetary authorities are scrutinizing new offshore bank applications more carefully. Several Gulf states are also following Saudi Arabia's lead in requiring foreign banks to sell off a majority share of their operations to local interests. Such protectionist moves are designed to insure the regional dominance of Arab institutions as the market shrinks.

Changes in Saudi Arabia's monetary regulations have also forced another traditional Arab institution to go international — the money-changer. Fearing that a collapse of one of the money-changers could leave thousands of their clients bankrupt, SAMA moved in to control their activities. The agency is demanding that the money-changers, strict Islamic institutions that earn their profit through foreign exchange and not interest-bearing accounts, keep at least one-fifth of their capital on deposit with a bank selected by SAMA. The agency has also set up liquidity and capital levels that the money-changers must adhere to.

One of the largest of these traditional Saudi institutions, which began centuries ago exchanging money from Moslems on the *hajj* pilgrimage, is the Al Rajah company for currency exchange and commerce. The establishment's owner, Sulaiman Abdel-Aziz al-Rajhi, is reputedly richer than all but a score of Saudi princes. Bound by SAMA's strict new regulations and an even stricter Islamic code, which prohibits charging interest, Mr. Sulaiman opened a London consultancy, which sifts through those foreign investments that might be deemed acceptable by the Koran.

The search has been rewarding for the al-Rajhi establishment. It ventured into commodities, broking between the raw-materials supplier and the manufacturer, on an awesome scale. Al Rajhi does business with some of the world's largest chemical companies and several European state-controlled companies. Its trade in commodities, real estate and foreign exchange amounts to nearly $750 million.

To survive the coming cash squeeze, a Gulf banker said, some Arab institutions — those with small capital bases that are unable to diversify their financial products — may be forced to merge with other regional units. The test will come when the Gulf and North African oil producers begin lining up in force for Euromarket loans. The Arab banks must show that their skills in syndicated lending and money management can match those of their more seasoned — and larger — international competitors.

Arab Banks Seek New Retail Outlets

By Pamela Ann Smith

LONDON — As Arab banks learn to live with the decline in Arab oil revenues, the need to improve their deposit bases outside the Arab world has become more apparent. While some are expanding into wholesale banking and seeking to attract more interbank and corporate funds, others are opening new retail outlets to attract Arab residents and visitors abroad or buying into well established banks located in Europe and Asia.

In London, where the number of Arab financial institutions has reached 47, the National Bank of Kuwait opened a retail office in the West End four months after opening its branch in the City. The office, which is located just behind Selfridges, the huge department store, in Oxford Street, is attracting visitors from Kuwait and the other Gulf states who find its location in the center of London's shopping district particularly convenient.

Another Arab institution with offices in both the City and West End, as well as in most of Europe's major cities, is the Arab Bank, whose head office is in Amman, Jordan. Tarek Kassem, chief executive of the bank's wholly owned subsidiary, the Arab Bank Investment Company, said that as a result of the downturn in the Gulf economies many Arabs with funds already placed in London or Paris are tending not to invest at all.

While he thinks this attitude may change if the economic climate in the Gulf begins to recover, he said that they could decide simply to keep their money on deposit if the situation at home failed to improve. This cautious approach on the part of the Arab investor during the last year has already led to a big increase in the Arab Bank's deposits in its Geneva branch, which currently total about 5.5 billion Swiss francs.

In the future, Mr. Kassem said, Arabs with money in Europe "will look at the Deutsche mark and guilder rates" in the hope of improving their earnings if interest rates go up.

Another Arab institution well established in London, the Bank of Credit and Commerce International, is drawing on deposits placed by members of Britain's African, Asian and West Indian communities. With 27 branches in London and another 19 elsewhere in Britain, BCCI is one of the largest Arab institutions in Europe in terms of retail outlets. A senior executive, John Hillbery, said that its U.K. presence forms part of the bank's overall global policy, which includes 270 branches in 63 countries.

"We take deposits in local currencies and with that we act to finance international trade," Mr. Hillberry said. Businessmen in Britain with strong links to Africa, the Middle East or Asia can draw on the large number of branches that the bank has in those regions to help improve their exports while still getting a full range of retail services at a branch near their home base.

In the United States, BCCI has a regional office in Miami — as well as a representative office in New York and an agency in Los Angeles — that serves as a major conduit for finance into the Caribbean and between North and South America. "It is the gateway linking the English-speaking and Spanish-speaking worlds as far as finance is concerned," Mr. Hillberry said.

Arab banks in the Far East are also seeking to expand their deposits by drawing on the shared culture of Islam, which links the Arab world with such populous Asian countries as Malaysia and Indonesia. Although there are more than eight Arab banks in the large offshore banking center of Singapore, the going has been tough, given the decline in the region's projected economic growth rates and the uncertainties surrounding the Hong Kong property market.

However, opportunities still exist for those banks with initiative and with the required management expertise. One, the United Gulf Bank of Kuwait, broadened its presence in the area by taking a 10-percent share in Worms Far East and Associates, a new deposit-taking company in Hong Kong. It is an offshoot of the Geneva-based Banque Worms et Associés, which has a 9.9-percent shareholding acquired by a company controlled by Sheikh Nasser Sabah al-Ahmad al-Jaber al-Sabah, the vice chairman of UGB, in August.

Aside from indirectly expanding their deposit base, the purchase of shares in banks already established in markets outside the Arab world also allows Arab banks to increase their operations in trade finance and in the general range of merchant banking. The Arab Banking Corporation, based in Bahrain, acquired a West German merchant bank, Richard Daus, earlier this year. This was followed by an announcement in July that a Netherlands-based subsidiary of a Kuwaiti financial company, Al-Futooh Investments, had bought a 15-percent share in another West German bank, Georg Hauck und Sohn. Given the 36-percent rise last year in the operating profits of West German banks — which reached a postwar high of DM 25.1 billion before loan losses and provisions — even more purchases by Arab interests may be in the pipeline.

These acquisitions, together with the increased emphasis on improving the liability side of the balance sheet by drawing on Arab funds available abroad as well as those generated within the Arab world itself, are helping Arab banks to increase their presence in international banking and to make them a permanent feature in the world's financial centers — no matter what the state of the international oil market.

Kuwait Stock Market Crash

(Continued From Preceding Page)

as they have been dubbed. They account for about $61 billion of the total of $94 billion in checks. Until their individual worth is determined, no one knows whether the medium-size investors will survive.

Another problem is that the legislation established a range of premiums, from the spot price of the share on the day of the deal to a maximum of 25 percent. Assessing how much each dealer can pay may take two years, according to Jassim al-Marzouk, Kuwait's minister of commerce and industry.

The government already is looking ahead. The Commerce Ministry is drawing up plans to regulate the official market and creating an autonomous body to run it. The new measures will be introduced shortly, before the exchange moves from its home in the basement of an old commercial *souk* to its new $48-million headquarters.

Kuwaiti brokers are now pondering the chances of achieving real stability in the country's stock market. They are concerned that the investor's reliance on ultimate government assistance will remain and fear that speculative dealing will continue as the sole basis for trading unless the government makes clear that it will not come to the rescue.

Another problem is what to do with the *manakh* and the companies registered on it. Many of the 45-odd companies quoted on the market exist merely as a vehicle for share trading. Among the others, however, some have a record of audited accounts and profits. Furthermore, Kuwaitis still regard their shares as assets, and to contain the bankruptcies, it will be necessary for the commerce ministry to legitimize the shares.

It is likely that a number of the *manakh* companies will gain admittance to the official exchange after posting the required three years of profits. And, both Bahrain and Abu Dhabi are establishing their own stock exchanges. However, no matter where the companies are listed, they will be traded where the bulk of their shareholders are, and that means Kuwait.

The dilemma for the Kuwaitis will be whether to allow other Gulf nations to trade on their exchange. Or, if the companies are not allowed to be quoted, Kuwaitis must decide how to monitor the unregulated trading that will occur inevitably if they don't.

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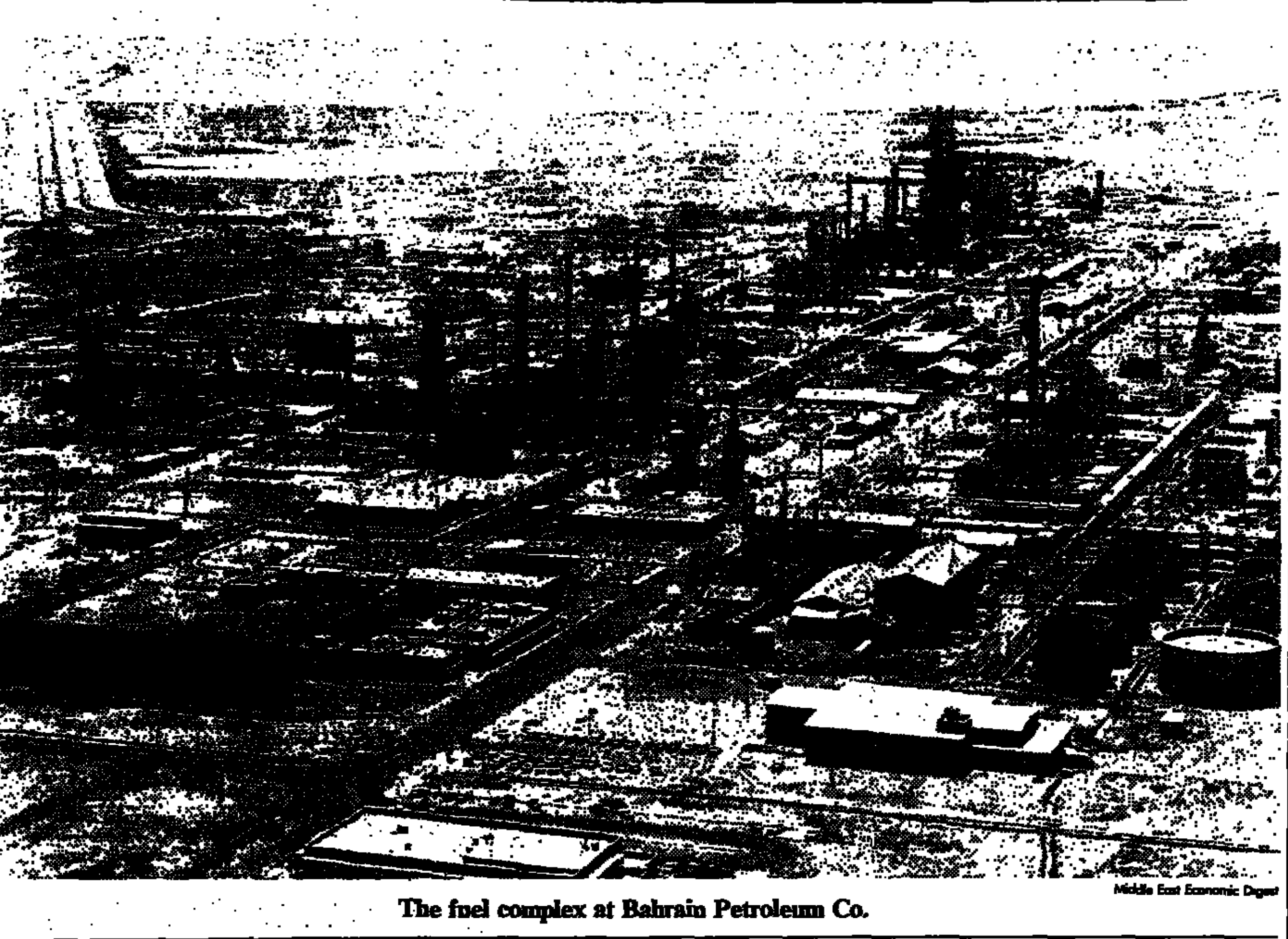
BANKING AND FINANCE IN THE ARAB WORLD



Middle East Economic Digest

The fuel complex at Bahrain Petroleum Co.

Slow Start for Arab Insurance Company

BAHRAIN — ARIG was a big baby.

In April 1980, when three Arab countries announced plans to form a reinsurance company with authorized capital of $3 billion, the Western insurance industry gasped. That capital base appeared to give Arab Insurance Group, or ARIG, the power to take on the likes of Munich Reinsurance and Lloyd's of London.

Three years later, ARIG remains an infant and shows no inclination of turning itself into a child prodigy. The owners — Libya, Kuwait and the United Arab Emirates — have paid only $150 million of the authorized capital. Even that dwarfs the capital of most reinsurers, but ARIG's annual premium income amounts to about one-fiftieth of the income at Lloyd's, and ARIG executives say the figure is not likely to grow substantially this year or next.

"ARIG is going through a period of consolidation," said a senior executive.

ARIG's low-key style has surprised rival insurance companies, who feared a fierce competitor when the Arab company emerged. "It is not the market force it should have been had it had the right start," said an executive at a smaller Arab reinsurance company.

The slow start demonstrates the difficulty that developing countries face in trying to set up world-class financial institutions practically overnight.

Like numerous Arab-owned banks in Bahrain, ARIG has plenty of capital but little quality business to take on. Recruitment of executives from the West is expensive, and insurance companies in Europe and the United States are hostile to the idea of new competition in an area they used to carve up as their own.

Compounding the problem, ARIG's formation came in the middle of a prolonged slump in insurance rates that only in the last year has shown signs of ending. Low rates inflict heavy underwriting losses on reinsurers, which provide coverage to back up the risks taken on by direct insurers. Investment income does not always cover the losses.

ARIG executives say that, given the market conditions, they would be imprudent to build up business by undercutting other reinsurers' rates.

While acknowledging the effect of the weak market, insurance executives who have close dealings with ARIG say that it also suffers from self-inflicted wounds.

The most common criticism is that ARIG has failed to find a chief executive to succeed Ali Muhammad al-Bedah, who left the company after a brief term.

A top insurance executive in Bahrain said that almost all the half dozen or so possible — meaning Arab — candidates have turned ARIG down, saying that it is not offering a long-term contract.

Many of the best-qualified Arab insurance executives come from Egypt and Iraq, both of which have developed highly respected reinsurance companies. But without a long-term contract, an Egyptian or Iraqi would fear that the top job at ARIG would soon be passed to a citizen of one of the three countries that own the company.

While the executive search continues, a five-member committee runs the day-to-day affairs of ARIG. The company's chairman, Khalil Ibrahim al-Shami, who also is chairman of the Gulf Insurance Co. of Kuwait, spends one or two days a week at ARIG in Bahrain. A member of the committee said that the interim structure had proved "quite effective," but others are skeptical.

A London broker called ARIG "a headless monster." A former ARIG executive said that the company lacked someone "to take the ball and run with it." An Iraqi insurance executive said: "Capital is not enough. You have to have a good team."

ARIG also has drawn criticism for its early underwriting practices. "At the beginning, they were accepting almost everything," says a senior Egyptian insurance executive in the Gulf. "The second year, they started to select."

In 1982, the first full year of underwriting, ARIG moved heavily into marine reinsurance and wound up with an unbalanced portfolio. This year, ARIG slashed the marine proportion of its portfolio to about 35 percent from 50 percent.

ARIG executives deny charges that they canceled marine business indiscriminately, and note that other reinsurers also cut back in that area. But some London brokers say ARIG's abrupt pullout smacked of panic.

"They canceled some perfectly good stuff merely to get their percentage of marine business down," one broker said, adding: "Reinsurance is based on long-term relationships. Anybody who jumps out without good reason — and I do mean without *any* good reason — is regarded as an unstable partner."

Despite such complaints, London brokers acknowledge that ARIG is a powerhouse financially. Unlike some reinsurers, ARIG does not need to accept low-quality business to preserve adequate cash flow. "We're loaded with cash," an ARIG executive said.

In 1982, a strong investment performance allowed ARIG to report net income of $13.2 million on net premiums of $40 million.

ARIG also has been able to recruit some top underwriters, among them John Evers, an oil and petrochemical specialist, and Trevor Church, an aviation expert. Both came from New York-based AIU Underwriters Co.

ARIG officials say they intend to expand gradually, and eventually move into direct insurance. The company talks up its training of young Arab university graduates, sent for seasoning to London and other insurance centers. A long-term plan is to open an insurance training institute in Bahrain.

Even so, the shortage of trained staff in the region appears likely to stunt ARIG's growth for years.

Another potential problem is politics. Squabbles between governments have hindered some earlier attempts at building pan-Arab insurance companies. Nonetheless, insurance executives generally say ARIG has the potential to become a world leader. "If ARIG is given a good management team with a free hand to run the show," a rival reinsurance executive said, "they will be a force."

A London broker specializing in the Gulf said: "You can't just buy your way in, which is apparently what the Arabs thought they could do." But he added, "Given time, it may work."

— BOB HAGERTY

Saudi Banking Sector

(Continued From Page 11)

rency Exchange, with capital estimated at about $173 million and reserves that are twice that of any Saudi bank, is to become a commercial bank backed by SAMA. Al-Rajhi will become the kingdom's largest bank overnight and some analysts predict it could draw a lot of small depositors from the other banks because of its image, its many branch offices and its longer hours. Al-Rajhi is to sell 43 percent of its shares to the public as the first step in its transformation.

There are roughly 20 smaller money changers that SAMA is eager to bring under its control. One proposal is to incorporate them into two large money changers.

The issue is not settled, but the money changers lost considerable leverage when the Abdullah Saleh al-Rajhi Co., a separate entity from Al-Rajhi Company for Currency Exchange, went bankrupt late last year.

Another issue in Saudi banking that appears to be unresolved is the respite from taxes that the banks received when they "Saudi-ized." The respite ended for several banks last year, and will end for several more this year. But local banking sources say that none has "paid anything yet."

With profits leveling and competition growing, the banks are moving to cut costs and expand services. Saudi British Bank, for example, cut its staff by 10 percent last year. "You begin to think twice about stationery, what publications you buy, and how many direct phone lines you really need," a banker said.

At the same time the banks have branched out to provide offices across Saudi Arabia. And they are updating equipment and modernizing operations.

"A lot of in-house sophistication is taking place now," a banker said.

Saudi Investment Banking Corp. recently installed an electronic display screen in the treasury room of its Riyadh headquarters, the first of its type worldwide to be linked directly to a bank computer system.

State-of-the-art technology is also being deployed for an in-house computer link for branch offices and for international fund transfers at several of the banks.

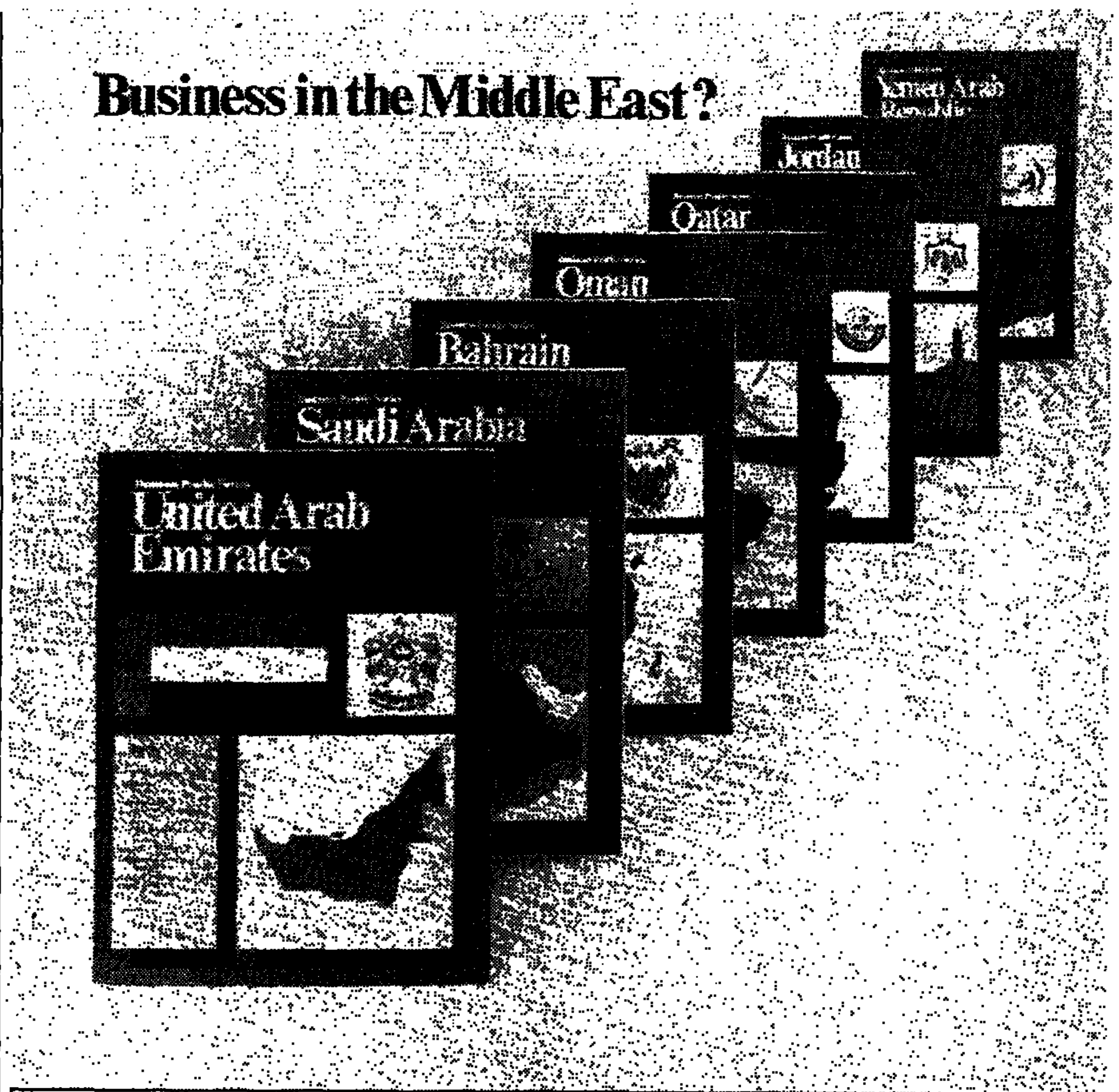
SAMA is itself moving to modernize. It is building a huge headquarters building to replace its twin-tower offices in Riyadh. The agency also has required the banks to print uniform-size checks to fit its plans for an automated check clearinghouse.

Several banks are considering opening 24-hour teller machines. Eight of the banks have formed a company to provide riyal-denominated traveler's checks in amounts of up to 1,000 Saudi riyals.

The traveler's checks are aimed primarily at the more than two million Moslem pilgrims from abroad who travel to Mecca each year. But the 1,000-riyal note is expected to become popular with Saudis making expensive purchases because the largest government-backed note is 100 riyals.

Middle East Economic Digest

A decorated oil well pump in Bahrain.



BANKING AND FINANCE IN THE ARAB WORLD

Christine Osborne/MEED

Arabs open accounts at the British Bank of the Middle East in Dubai.

Middle East Economic Digest

Kuwait's Central Bank headquarters.

Gulf War, Oil Slick Pose Grave Potential Danger for Shipping, Local Industry

LONDON — Faced with declining oil revenues and budget cutbacks, Arab bankers in the Gulf states are worried about an even more immediate problem: the worsening military situation in the Gulf waterways and its effect on shipping and local industry. While few bankers are willing to comment publicly on the situation for fear that evidence of concern could itself further damage the climate of investment, the topic of security in the area arises repeatedly in casual conversations and in off-the-record briefings.

Attention so far has focused on three main concerns: first, that the war between Iran and Iraq could escalate sharply within the next few weeks; second, that a cargo ship or oil tanker could hit one of several mines drifting down from the war zone; and third, that the slick caused by oil flowing from damaged Iranian wells could drift to the Arabian side of the Gulf and affect vital industries along the coast. While the talk about these problems so far appears to be mostly speculation about the dangers involved, few bankers in the region seem optimistic that a solution to any of these three major issues will be found soon.

The anxiety about the war between Iran and Iraq grew noticeably earlier this summer as fighting increased along the borders between the two countries and as diplomatic efforts to mediate in the dispute proved unsuccessful.

The anxiety has since been heightened by bellicose statements from both Baghdad and Tehran. The Iraqi foreign minister, Tariq Aziz, said in July that Iran "had forced a military siege that hampered the export of oil from the South [of Iraq], hence Iraq must act in the same way and inflict harm to the Iranian oil installations." A few days later, on July 24, the Iranian foreign minister, Ali Akhbar Velayati, said that "the slightest disruption in the flow of Iran's oil exports would make it impossible for all countries of the region to export their oil." This was followed by a blunt warning the following day by a ministry spokesman, Murteza Sarmadi, that "If Iran is deprived of her oil exports, other countries in the region will be deprived of this as well."

News that France was planning to deliver five Super Etendard fighter aircraft missiles to Baghdad has added to the anxiety felt on the Arab side of the Gulf. While some bankers feel that the Iranians may be able to protect their huge oil export terminal at Kharg Island against the Exocets, no one is sure that a missile could not get through. Aside from the damage that such an attack could cause to the Gulf waterways, Arab officials, businessmen and bankers are worried that Iran might then carry through on its threats to blockade the Gulf, halting Arab oil exports and the delivery of vital imports of food and raw materials.

Even if the war does not escalate, the effects of three years of fighting in the northern Gulf are becoming evident further south, along the shores of Bahrain, Qatar and Saudi Arabia. In July, the Qatar National Navigation and Transport Company confirmed that three mines had been located in the Gulf near the borders of the three countries and that two others had been detonated — one near the Saudi oil port of Ras Tanura and another southeast of Qatar. Further sightings were reported in August and the officers of some ships sailing in the area have asked for naval escorts to guard against the danger. British and U.S. hydrographic authorities have also issued warnings to shipping and asked vessels to operate in daylight if possible and to be on the lookout.

Although some shipping sources in the Gulf say that three cargo vessels damaged in the area in recent months may have been struck by mines, bankers have noted that such reports have not yet been officially confirmed. They are also cautiously optimistic because war-risk insurance charges and spot-market rates for ships sailing in the Gulf have so far been unaffected by the reports. However, some fear that their clients could be affected by changes in insurance or chartering rates should any damage to a ship occur in the future.

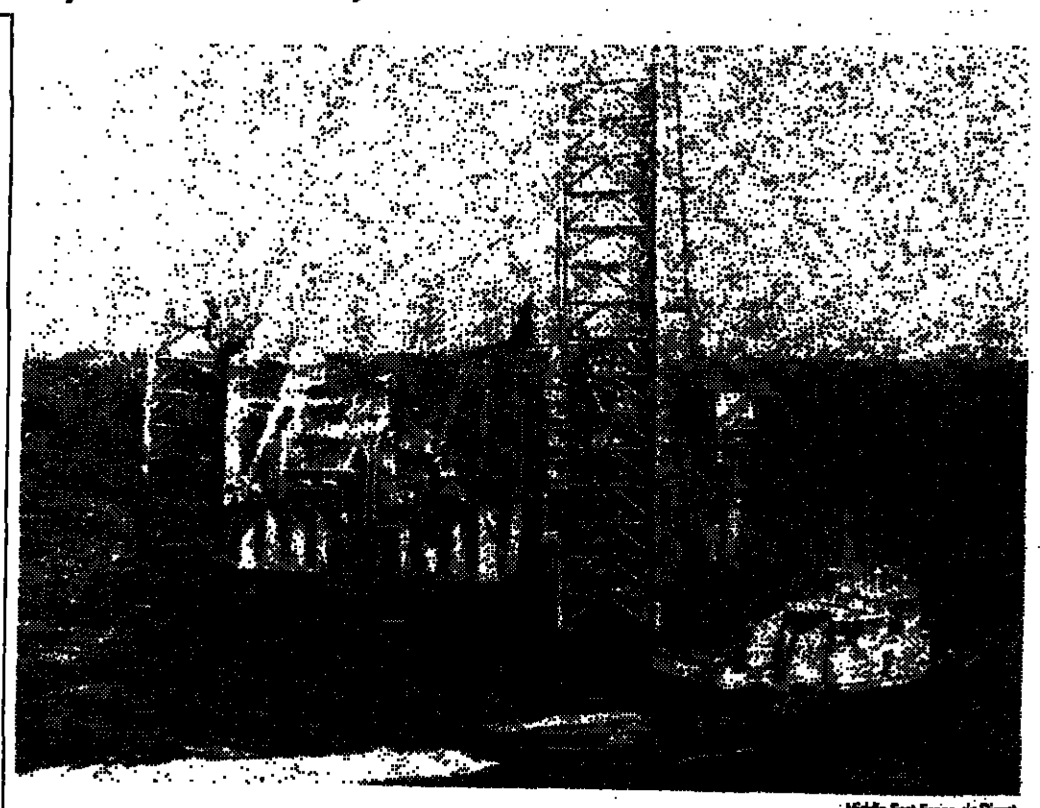
In addition to the dangers caused by the actual fighting in the Gulf and by the drifting mines, there is also the continuing problem of the 400-mile-long oil slick off the Iranian coast. Environmental authorities in Bahrain said that the oil was dispersing more quickly than originally anticipated and that much of it was now breaking up into small fragments and settling below the surface. Nevertheless, authorities in the area are concerned about reports that changes in the wind direction and in tidal currents in October could bring the slick back toward the shores of the Gulf states in the next few weeks. This could cause considerable damage to coastal power and water stations, to oil and gas installations and to shipping entering Kuwaiti, Bahraini, Qatari and Saudi ports.

Efforts by Red Adair, the well-known U.S. entrepreneur, to cap the Iranian wells producing the slick have been hampered by the war, and there are fears that if action to halt the flow is not taken soon the spillage could reach as much as 16,000 barrels a day. Mr. Adair said after a tour of the area in July that "the slick is the worst I've ever dealt with." But so far his team has still not received the guarantees it needs to survey the damaged wells, let alone cap them.

Although the governments of Bahrain, Qatar and Saudi Arabia have installed nets around their vital industrial installations and ordered other equipment that could help to contain the oil should it approach the Arabian coast, it is too late to prevent the damage that the slick has had on the local fishing industry and on tourism. With their minds already sharply focused on the downturn in Arab oil revenues, it is little wonder that bankers in the Gulf are urgently hoping that a peaceful solution to the Iran-Iraq war can be found soon.

"Once that is over," a banker in Bahrain said, "the whole picture could change." Instead of having to worry about the war, the mines and the oil slick, bankers could then turn their attention to financing the huge reconstruction contracts Iraq and Iran are expected to award after the fighting has stopped.

—PAMELA ANN SMITH



Middle East Economic Digest

One of ARAMCO's offshore oil rigs off Saudi Arabia.

BANKING AND FINANCE IN THE ARAB WORLD

Middle East Economic Digest

Towers at the Al-Rifa power station in Bahrain

Algerian Reforms Slowly Implemented

By Francis Ghiles

LONDON — As with so many other sectors of Algerian life, the banking scene in Algeria has undergone major change since President Bendjedid Chadli came to office in February 1979. Major reforms have been introduced into the functioning and role of Algerian banks but implementing these changes has been painfully slow. The banking reforms reflect the reassessment of economic priorities conducted in the early stages of Mr. Chadli's presidency.

The shift in investment priority — away from the heavy industrial sector and toward light industry, the private sector, housing and agriculture — drastically reduced the need for foreign loans. The very rate at which Algeria's foreign debt was growing in the middle and late 1970s was instrumental in convincing the new Algerian leaders that the first priority was to avoid a further increase in the debt burden.

The decision to halt foreign borrowing, made at the end of 1979 and implemented that winter, has kept Algeria from traveling the same path to the International Monetary Fund that so many Third World countries have taken in the last 12 months. It was a wise decision and — with hindsight — one can say that it came at the right time.

The second factor, which helped put Algeria's foreign finances on a sounder footing, has been the ability of Sonatrach, the state gas and oil monopoly, to tailor its product mix to changing world demand. Algeria's dependence on crude-oil exports has declined as a result of the development of national gas exports, to which have been added sales of condensates and liquid petroleum gas. These products are not subject to OPEC pricing or ceilings and have enabled Sonatrach to limit the decline in its foreign income to a greater extent than other African and OPEC oil producers.

Algeria's oil and gas income declined by 12 percent, to \$12.7 billion, between 1981 and 1982. It is expected to decline by a further \$1 billion to \$1.5 billion this year. However, the prospect of such a decline made the authorities order the first budget cuts more than a year ago. So, the situation may be fairly tight now and next year, but it certainly gives no cause for concern.

This is all the more remarkable as this year marks the peak repayment year for loans and bonds raised during the last decade — \$4.3 billion this year, which could push the debt service ratio as high as 37 percent. Repayments of interest and principal decrease thereafter to \$2.8 billion in 1986.

As Algerian borrowers moved from feast to famine between 1980 and 1983, Algeria's stock rose among international banks. Many of them had been convinced of Algeria's seriousness in the 1970s but were worried about the level the country's foreign debt had reached. So, when Sonatrach came back to the market for \$500 million last spring, it received a warm welcome: \$700 million for eight years, with five years grace on a split spread of ½ to ⅝ percent was raised. Had the borrower wanted a \$1 billion it could have received it with ease. Whether Algeria returns to the market for a second loan later this autumn will depend on how sharp the projected decline in income for 1983 turns out to be.

Raising an additional \$200 million to \$300 million should not prove particularly difficult. The reassessment of economic priorities conducted in 1979 also resulted in the breaking up of the mammoth state companies, such as Sonatrach, CNAN, the shipping company, and SONACOME, the engineering group, into smaller and more accountable units. Furthermore, it was decided that agriculture, especially the private sector, would be encouraged and that private enterprise in manufacturing would not simply be tolerated but actively encouraged.

There are 350,000 private businesses in Algeria, which account for about one-third of all employment. Encouraging them to develop would provide needed jobs and, furthermore,

(Continued on Following Page)

Morocco: Emergency Steps Continue to Avert Disaster

RABAT — Since 1979, the combined forces of drought, declining phosphates prices, rising oil import bills, the strong U.S. dollar and the war in the Western Sahara have plagued Moroccan planners.

But King Hassan II of Morocco is riding out the storm and has proved the CIA wrong. Four years ago, the U.S. intelligence agency did not give the oldest surviving monarchy in the Arab world more than two years before it collapsed.

Morocco is rescheduling its foreign debt, having so far been scrupulously prompt in its payments. Where finance and trade are concerned, King Hassan is well served, and the negotiations currently in progress through the Club of London and the Club of Paris should prove to be a relatively easy affair.

The rescheduling exercise is limited to about \$450 million in 1983, a figure that will rise to an estimated \$1.6 billion next year. Short-term debt, amounting to an estimated \$950 million, all owed to banks, is specifically excluded from the negotiations and the banks have agreed to keep open all existing short-term credit lines to the kingdom.

The IMF recently approved a SDR-300-million loan to Morocco and the World Bank is expected to grant a \$200-million loan. Saudi Arabia, Kuwait and the United Arab Emirates are expected to provide an additional \$500 million in loans and aid. Saudi Arabia has been helping the kingdom with \$1 billion to \$1.5 billion every year since 1979, and the decline in Saudi aid, which may be as much as half, has forced Morocco to resort to rescheduling earlier than expected.

All these monies should cover the \$2-billion estimated deficit that the balance of payments will run up this year. Very harsh measures taken by the Moroccan government during the last few weeks will also help. Cuts in government spending for the current year will push investment down from \$2.68 billion to \$1.94 billion. In 1984-85, investment will be pegged one-third below the projections of the 1981-85 Economic Development Plan. Spending next year alone will be cut by a third to \$1.82 billion and in 1985 by nearly 40 percent, to \$1.55 billion.

The value of the dirham has declined by about 10 percent since last July, which should help to bolster Morocco's exports. On this front the country has done well, especially where food, leather goods and textiles are concerned. But Spain's projected entry into the EC would be a blow to the kingdom's food exports to Europe.

The government has also taken measures to cut subsidies on staple foods, one of the many measures called for by the IMF ever since the fund granted its first loan to the kingdom three years ago. Average increases have been in the range of 20 percent, and in order to defuse popular anger — which led to food riots in Casablanca in 1981 — the national minimum wage was raised by 20 percent. The increases in prices this time are much less sharp than two years ago and the awareness of the population that the kingdom is facing a period of economic difficulties is much greater than two years ago.

In 1981 and 1982, King Hassan asked his subjects to refrain from killing a lamb during festivities, and although he has made no formal request this year the high cost of lamb and the general mood of austerity will ensure that festivities are kept at a more muted level than is traditional.

Other measures have been taken. No new jobs will be created in the civil service next year — at a time of rising unemployment; higher income groups will bear a greater tax burden and the price of gasoline has been increased.

However, rain is the single most important factor — along with lower U.S. interest rates and a lower dollar — that could improve both Morocco's economic situation and its external finances. In 1979-81, the country suffered the worst drought this century, and there has been very little this year. The result was a sharp decline in crops and an increase in cereal imports.

Since 60 percent of Moroccans live off the products of the land, the loss of purchasing power brought about by the lack of rain since 1979 is considerable. Rain, rather than an improbable pickup in the price of phosphates or a decline in the price of oil, would help reduce the deficit of the budget and the cost of imports.

Few external factors are likely to help the kingdom much next year, although greater Saudi aid would make a difference. Despite these difficulties Morocco's credit rating with the banks has not been adversely affected by debt rescheduling.

— FRANCIS GHILES

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Headquarters of the Saudi Fund for Development in Riyadh. It was built last year.

Algeria: Implementation of Banking Reform Is Slow

(Continued From Preceding Page)

ease the bottlenecks that are the natural consequence of rigid state-company dominance.

The changes that have been introduced into the banking system reflect the new goals and priorities of President Chadli's economic team. During the 1970s the banks played a major role in raising the loans and bonds that Algerian state companies needed to finance their development. Today, they have been assigned a more difficult task.

In their new role they will advise state companies and monitor projects much more closely than they were able to do in the past. This watchdog role is in line with other efforts being made to avoid waste and speed up the implementation of major projects. As a result the banks will become much more specialized.

Banque Nationale d'Algerie will continue to look after Sonatrach and all matters relating to the energy sector. This includes, in particular, the part of CNAN that has been carved out of the old company and that is responsible for carrying Algeria's hydrocarbons exports.

Banque Nationale d'Algerie will look after the heavy industrial sector, which, although less important than previously in terms of new investment, needs to see productivity gains if it is to contribute adequately to the country's development. The newly established Banque de l'Agriculture et du Développement Rural has the difficult role of helping a sector whose performance since 1962 has been dismal. In particular, it is encouraged to help private farmers who, until 1979, were treated as pariahs.

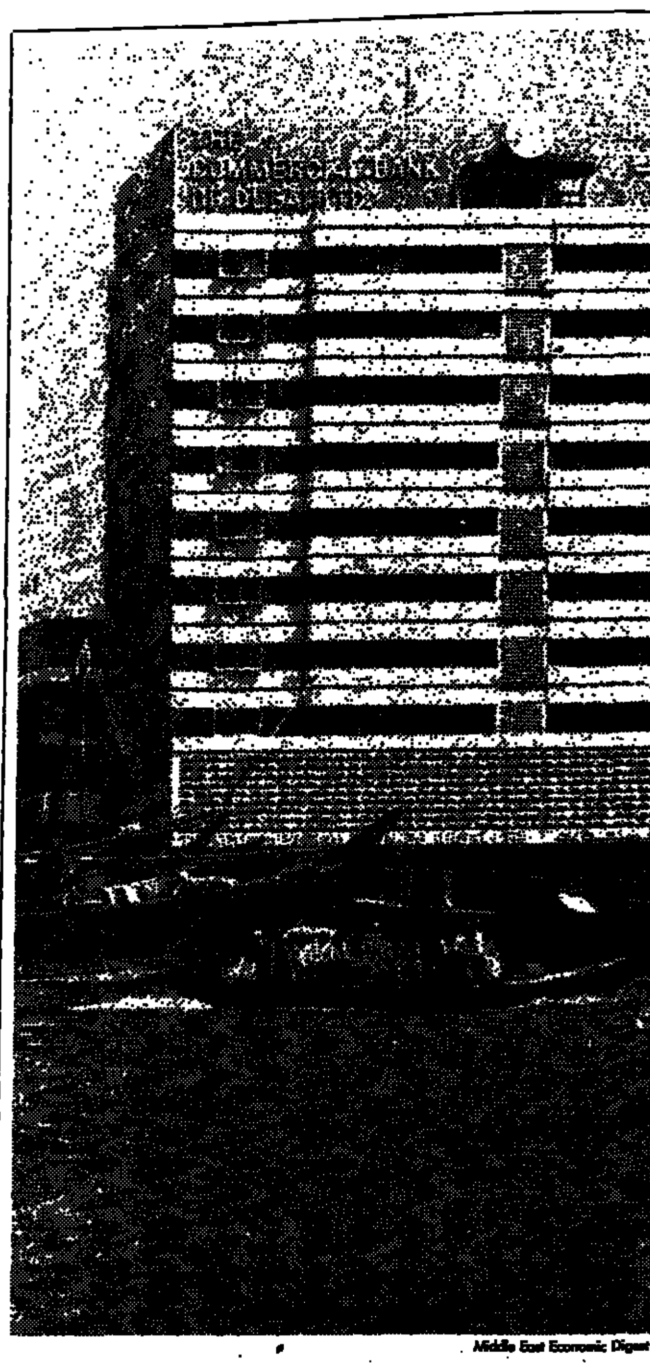
Production has been at near-static levels for years and the food import bill is more than $1 billion a year, with an additional $1 billion needed to keep the cost of staple foods at reasonable levels. The new bank has its headquarters in Algiers.

The Crédit Populaire d'Algérie will continue to look after housing, a much neglected sector until 1981 but one that has received considerable income since then — as well as funds. The Caisse Nationale d'Epargne et de Prévoyance acts as a savings bank, its role enhanced by the greater concern shown of late by the authorities to remunerate deposits adequately.

Meanwhile, the Banque Algérienne de Développement is supposed to follow major projects and act as a second vetting chamber for them, in conjunction with the Ministry of Planning. All these changes are being implemented very slowly. If they succeed, they will certainly strengthen the effectiveness of the economic machine but it is certainly too early to pass judgment.

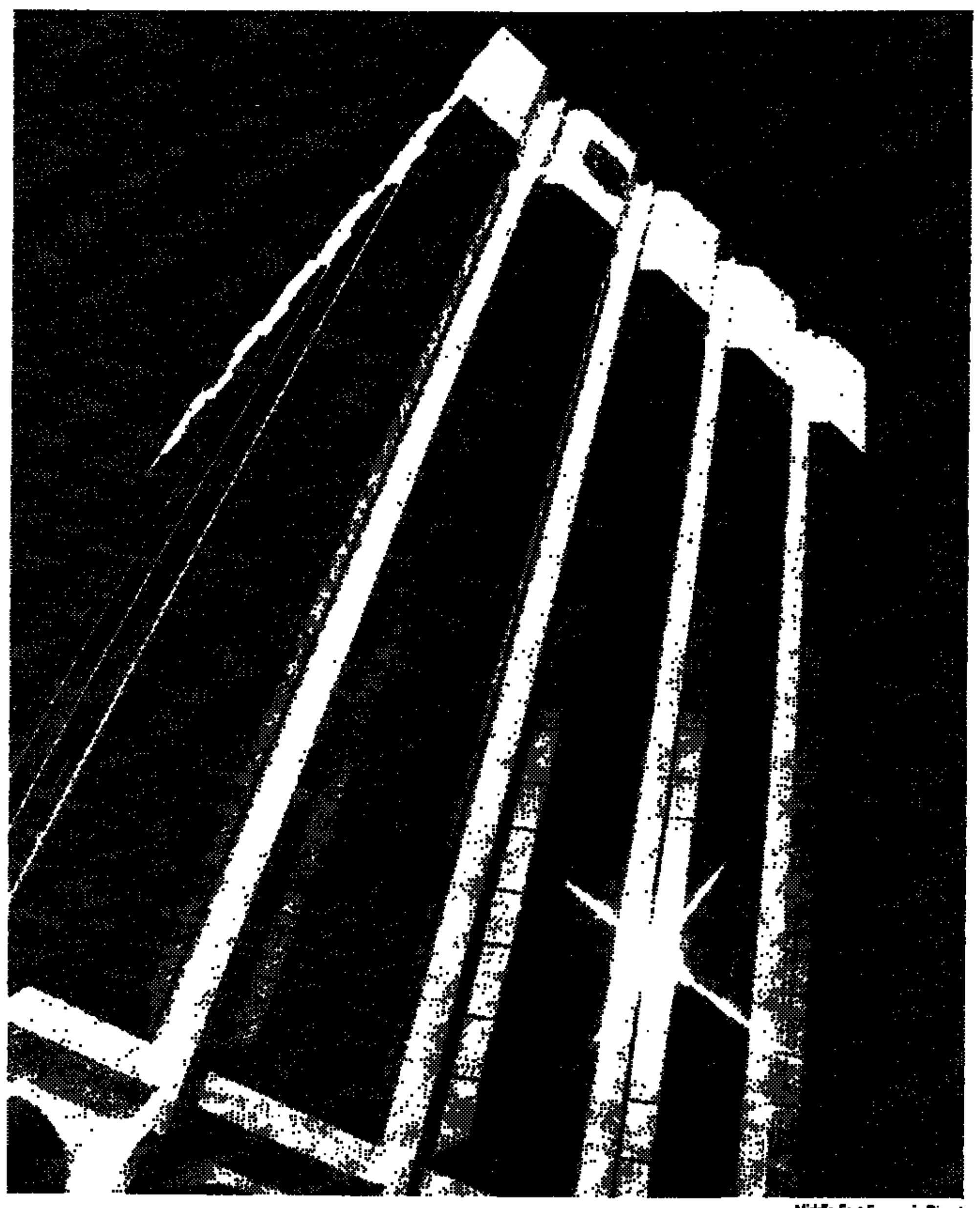
Algeria also has interests in consortium and development banks abroad — a 50-percent stake in both Banque Intercontinental Arabe and Union Méditerranée de Banques, which is being reorganized and should be in a better position to promote trade between Algeria and France. Other banks in which Algerian banks have a stake include European Arab Bank (Luxembourg), Arab African Bank and the Banque de Coopération du Maghreb, recently set up jointly with Tunisia. Algeria is also in the Arab Monetary Fund, the Islamic Bank, the Arab Fund for Economic and Social Development and the Arab Bank for Economic Development in Africa.

The last few years have thus witnessed important changes in the number and role of banks in Algeria. While it is still too early to judge the effectiveness of these reforms, they are at least being carried out without the threat of foreign debt rescheduling. That in itself is an achievement worth noting.



Middle East Economic Digest

The Commercial Bank of Dubai on the waterfront.



Middle East Economic Digest

Bank of Credit and Commerce International headquarters in Abu Dhabi.

Tunisia: A Troubled Economy

LONDON — The Banque Centrale de Tunisie used its annual report, published last month, to issue a stern warning about the lean years that lie ahead. It noted that economic growth last year failed to reach the targets set in the 1982-1987 Economic Development Plan: lower output and prices for crude oil, Tunisia's major hard currency earner, a decline in the number of foreign tourists visiting Tunisia and poor crops after bad weather had all contributed to a fall in foreign income.

Such difficulties, the central bank said, have been compounded by a fast rise in domestic income, which has helped to fuel inflation. The balance of payments was in surplus despite the current-account deficit — the result of a strong flow of capital into Tunisia.

The strength of this flow is no doubt on of the major achievements of Mancour Moalla, who was dismissed from his post of minister of finance last June and who in his three years in office helped to tap surplus Arab funds in a very effective way.

No fewer than seven consortium investment banks have been set up since 1981, which brings to nine the number of investment banks in Tunisia. Until then, the Banque de Développement Economique de Tunisie, founded in 1959 and headed by President Habib Bourguiba's son, Habib Bourguiba Jr., and the Compagnie Financière et Touristique, which has a joint Tunisian and Kuwaiti shareholding — set up later in the 1970s to focus on the tourist sector and whose name was changed last month to Banque National de Développement Touristique — were the only investment banks in the country.

The seven investment banks created since are expected to invest about one-third of the $13.2-billion investment to be undertaken in the current Economic Development Plan. Their creation is the direct result of the more active role Mohamed Mzali, who has been prime minister since 1981, has sought for Tunisia in the Arab world.

Until 1981, 10 commercial banks, of which only three were in private hands, had dominated the banking scene. Société Tunisienne de Banque, the most important, had all along focused its interest on the industrial sector and Banque Nationale de Tunisie on the agricultural sector. Meanwhile, Union Internationale de Banques was instrumental in promoting exports, a useful and lucrative niche during the 1970s, which saw the creation of many factories in the textile and electronic fields.

The first consortium bank founded after Mr. Moalla became minister was the Banque Tuniso-Kowetienne de Développement. This was followed by the Banque de Coopération du Maghreb Arabe and the Société Tuniso-Séoudienne d'Investissement et de Développement. The Banque Tuniso-Kowetienne has devoted its attention to the industrial sector, thus complementing the activities of Banque Nationale de Développement Touristique. Maghreb Arabe, a joint Tunisian-Algerian venture, received considerable encouragement this year from the improvement in relations between the two countries. A number of joint projects were agreed during President Bendjedid Chadli's state visit to Tunis in March 1983.

The most recent creation was an agreement in principle this summer for a joint Tunisian-Libyan bank, which will be capitalized at $146 million. The improvement in relations between Tunis and Tripoli has acted as a catalyst to the founding of the bank. Eight Western banks, including Citibank, Chase Manhattan, Bankers Trust and Bank of America are represented on an offshore basis in Tunisia, but the very rigid controls maintained on their activity by the central bank has long since dashed any hopes of offshore banking center. Some banks, such as Bank of America, have recently scaled down their activities and have only a branch operation.

The Tunisian banking scene has thus witnessed the setting up of more banks, since 1981, than at any time since independence. That is no bad thing, but creating banks has come to be seen by some Tunisians as a panacea to some of the major constraints that the economy is facing. The new consortium banks would serve Tunisia ill if such illusions continued to be fostered.

—FRANCIS GHILES

CONTRIBUTORS

EVA DADRIAN is an economic researcher for Middle East Information, a London-based consultancy firm.

FRANCIS GHILES is a financial journalist based in London who specializes in North African affairs.

BOB HAGERTY is a staff financial correspondent for the International Herald Tribune. He is based in London.

BRAD HELLER is a staff reporter for the English-language Saudi Gazette, a Jeddah-based daily newspaper.

TIM McGIRK, a London-based financial journalist, is a contributing editor to the magazine Euromoney.

PAMELA ANN SMITH is a journalist based in London who specializes in Middle Eastern economic affairs.

OLFAT TOHAMY is a Cairo-based journalist who writes on Middle Eastern affairs for The Washington Post and other publications.

International Herald Tribune
BUSINESS/FINANCE

THURSDAY, SEPTEMBER 29, 1983

WALL STREET WATCH

By EDWARD ROHRBACH

In a Shootout at High-Tech Corral, Semiconductors Seen as Top Guns

You remember High Technology. Riding tall in the saddle last summer, atop a horse named Paradyne and armed with assorted Texas Instruments, he stumbled smack into Correction Gulch.

Well, he got shot up pretty bad.

Investors viewing the drama saw their stocks in the group plummet. A high-tech index of 92 companies constructed by Michael Weisberg of Prudential-Bache Securities shows the stocks peaked at just over 250 in mid-June, dropped below 200 by the end of July and currently stand at 206, up five points from last week.

But now comes an encouraging word from two of the group's top hands: Stephen Yoken, who manages the $290 million of U.S. technology assets in the mammoth new Sci/Tech Fund, and George Hecksher, co-manager (with Frank Husic) of the $185-million Alliance Technology Fund, ranked as the best performing U.S. mutual fund, not only this year but off the August 1982 market bottom with a spectacular 180-percent gain that triples Wall Street's advance.

> 'We've shifted to suppliers who help the manufacturers make and test the semiconductors.'

Their word is "semiconductors."

When Sci/Tech was launched this spring, Mr. Yoken emphasized the whole semiconductor sector in the fund's initial stock portfolio.

"We're not selling the main manufacturers," he said, "but we've shifted buying to the group's capital equipment side, that is, suppliers who help the manufacturers make and test the semiconductors."

As examples of companies in this business he mentioned Teradyne, GenRad, Varian Associates, Applied Materials and KLA Instruments.

Mr. Yoken reasons that as semiconductor sales boom with the computer explosion, cash pouring into the main manufacturers will spill over more and more to the capital equipment suppliers, who are needed to expand chip production and control quality.

'Backlogs Are Building Up'

"Their backlogs are building up enormously. It gives them earnings visibility into 1985 and possibly 1986."

Companies poised to provide productivity gains for industry is the high-technology sector that Mr. Yoken sees as the most promising after semiconductors. In order, he listed the CAD/CAM (computer-assisted design and manufacturing) field; minicomputers, mentioning Data General and Digital Equipment as representative companies; multitechnology outfits, with Motorola as an example, and communications firms benefiting from the AT & T breakup.

Finally, "not having to do with capital spending but with psychology," he recommended the personal computer field. "IBM will dominate, certainly, but the business is so great other players will do well. There are frequent over-reactions in these stocks and I'd be taking advantage of them."

Mr. Hecksher's first choice remains the semiconductor manufacturers. Most "leveraged" in the group, he noted, are Advanced Micro Devices, Intel National Semiconductor and Motorola. After the suppliers, he favors the distributors, mentioning Avnet as an example.

He disclosed that 30 percent of the Alliance fund is currently in semiconductors, followed by 15 percent in computer software and 10 percent in defense electronics stocks.

"Right now, there are a lot of opportunities, but investors must be price conscious," he said about technology stocks in general. "Also, you've got to be nimble to avoid disasters."

Noting that the fund is now 90 percent invested, Mr. Hecksher added: "I'm comfortable about it — much more so than in July."

Warning Flag Went Up

About June 1, he said, a "warning flag went up" on technology stocks when valuations rose above the previous market top in May 1981. Then, the fund was cut back 10 percent, a defensive measure taken twice before in the bull market.

He added that "in July, we began to aggressively sell," going 25 percent into cash, until mid-August, when the fund stepped back up to the semiconductor counter with two-thirds of the reserves.

"Fortunately, we sensed the blood bath in personal computers."

In evaluating high-tech companies, Mr. Hecksher said he looks first for "quality management." Next, pretax margins must show management's "ability to control its business." Third, he said, the company must be in a field that is growing at least 25 percent a year. Last, it must be "market-oriented."

A contrary view of semiconductors is taken by Edward Kerschner, who with Charles Pradilla, monitors the fundamental valuations of 418 Wall Street stocks for Paine Webber.

"Technology in aggregate is no longer very vulnerable, but the semiconductors in particular are," Mr. Kerschner warned. "I'm not saying they're not good stocks — just that you're paying too much for them. There's no room for even the minutest disappointment."

Three of the bottom seven stocks of all they grade manufacture semiconductors: Advanced Micro Devices, Intel and National Semiconductor.

International Herald Tribune

CURRENCY RATES

Interbank exchange rates for Sept. 28, excluding bank service charges

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	2.9515	4.425	117.96 *	36.83 *	0.1849	—	5.52 *	138.80 *	31.055 *
Brussels(a)	53.485	80.155	20.2823	6.6795	3.349 *	18.13	—	25.167	5.6225
Frankfurt	2.639	3.956	—	32.97 *	1.65 x	89.36 *	4.934 *	123.98 *	27.71 *
London (b)	1.4991	—	3.9555	12.00	2,396.13	4.4278	80.17	3.1895	14.2723
Milan	1,597.50	2,394.90	605.78	199.44	—	541.21	29.864	751.40	167.95
New York	—	1.5015	0.3785	0.1248	0.06 *	0.3382	0.0186	0.4693	0.105
Paris	8.011	12.003	303.77 *	—	5.014 x	271.36 *	14.974 *	376.70 *	84.26 *
Zurich	2.1277	3.1905	80.625 *	26.58 *	0.1331	72.04 *	3.9781 *	—	22.355 *
1 ECU	0.8582	0.5727	2.2631	6.8713	1,371.01	2.5335	45.8804	1.8259	8.1638
1 SDR	1.05714	0.705371	2.78895	8.4688	1,688.78	3.1202	56.5517	2.2496	10.0587

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.8975	Australian $	1.1142	0.0157	Israeli shekel	63.685	0.467	Singapore $	2.1415
0.0539	Austrian schilling	18.555	0.0042	Japanese yen	234.27	0.9083	S. African rand	1.1009
0.0184	Belgian fin. franc	54.325	3.4412	Kuwaiti dinar	0.2906	0.0013	S. Korean won	787.56
0.8115	Canadian $	1.2323	0.4261	Malay. ringgit	2.347	0.0066	Span. peseta	151.48
0.105	Danish krone	9.5195	0.1357	Norw. krone	7.3705	0.1277	Swed. krona	7.8285
0.1767	Finnish mark	5.659	0.0712	Phil. peso	14.045	Clad	Taiwan $	—
0.0108	Greek drachma	92.675	0.0081	Port. escudo	123.986	0.043	Thai baht	23.256
0.1212	Hong Kong $	8.25	0.2874	Saudi riyal	3.49	0.2723	U.A.E. dirham	3.6725
1.1878	Irish £	0.8462						

£ Sterling: 1.2698 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (*) Units of 100 (x) Units of 1,000 N.Q.: not quoted; N.A.: not available.

INTEREST RATES

Eurocurrency Deposits

Sept. 28

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
1M.	9⅝ - 9¾	5½ - 5⅝	4⅞ - 4 15/16	9⅝ - 9¾	12⅞ - 13	9⅛ - 9¼	-
2M.	9 11/16 - 9 13/16	5 9/16 - 5 11/16	4 ⅞ - 4 15/16	9½ - 9⅝	13½ - 13¾	9 3/16 - 9⅜	-
3M.	9⅝ - 9½	5⅝ - 5¾	4⅞ - 4⅞	9½ - 9⅝	14½ - 14¾	9⅛ - 9 ¼	na
6M.	9⅝ - 9¾	5 13/16 - 5 15/16	4⅝ - 4¾	9½ - 9⅝	16 - 16⅛	9¾ - 9 ⅞	-
1Y.	9⅞ - 10	6 1/16 - 6 3/16	4⅝ - 4¾	9 11/16 - 9 13/16	16½ - 16¾	9 15/16 - 10 1/16	-

Key Money Rates

United States	Close	Prev.
Discount Rate	8½	8½
Federal Funds	10	9½
Prime Rate	11	11
Broker Loan Rate	10	10
Comm. Paper, 30-179 days	8.87	8.90
3-month Treasury Bills	8.75	8.67
6-month Treasury Bills	8.93	8.81
CD's 30-59 days	8.37	8.50
CD's 60-89 days	8.45	8.42

West Germany	Close	Prev.
Lombard Rate	5.50	5.50
Overnight Rate	5.55	5.55
One Month Interbank	5.70	5.70
3-month Interbank	5.85	5.85
6-month Interbank	6.30	6.30

Japan	Close	Prev.
Discount Rate	5½	5½
Call Money	6⅛	6 ⅛
60-day Interbank	6 ⅜	6 7/16

Britain	Close	Prev.
Bank Base Rate	9½	9½
Call Money	9⅝	9⅝
91-day Treasury Bill	9	9
3-month Interbank	9⅝	9⅝

France	Close	Prev.
Intervention Rate	12¼	12¼
Call Money	12⅝	12⅝
One-month Interbank	na	12⅝
3-month Interbank	—	12 ⅞
6-month Interbank	—	12⅞

Sources: Commerzbank, Bank of Tokyo, Lloyds Bank.

GOLD PRICES

	A.M.	P.M.	Ch'ge
Hong Kong	414.25	414.35	+ 0.48
Luxembourg	414.00	—	+ 0.50
Paris (12.5 kilo)	415.35	415.81	+ 0.89
Zurich	414.35	413.50	+ 0.85
London	414.00	413.60	+ 1.35
New York	413.60	—	+ 1.35

Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong and Zurich. N.Y. Handy & Harman. U.S. dollars per ounce.

Workers at the Nixdorf plant at Paderborn.

Nixdorf Is Sticking With Strategy Of Buying Its Technology Abroad

By Alice Ratcliffe
International Herald Tribune

PADERBORN, West Germany — Its detractors accuse West Germany's Nixdorf Computer Co. of buying all its technology from the Japanese and Americans. That doesn't bother Nixdorf's vice chairman, Klaus Luft, a bit.

"We want to bridge the gap between technology and the market," explained Mr. Luft, who likes to point out the value of merging "European-system thinking with American technology."

West Germany's largest maker of business information systems is now preparing to challenge giants of the industry in such fields as integrated office equipment and artificial intelligence. To do that, it is buying heavily on the foreign technology markets.

Nixdorf's revenues have more than doubled since 1978 and are expected to surpass 2.6 billion Deutsche marks ($1 billion) this year, while its own spending on research and development has more than tripled since 1977 to over 200 million DM. As a result, it has had to invest heavily in expanding production capacity and training new personnel to keep up with the growth. And it has had to rely more and more on foreign technology.

Reliance on U.S. companies for parts is not unusual for German computer makers. Nixdorf, however, has gone one step further by buying up smaller American technology companies lacking their own market base.

Last year, for instance, Nixdorf signed a joint-venture agreement with Auragen Systems of Englewood Cliffs, New Jersey, to produce "fault-tolerant systems," essentially computers with parallel central processing units and data storage bases that perform instant updating and are considered "fail-safe."

In 1980 Nixdorf also merged with The Computer Software Co. of Richmond, Virginia, to form Nixdorf Computer Software Co., which supplies it with software for its mainframe that is compatible with IBM software.

In addition, Nixdorf is cooperating with Spartacus Computers Inc. of New Bedford, Massachusetts, a software manufacturer, and LSI Logic Corp. in Northern California, which specializes in software for computer-aided design. It also gets hard disks from Control Data Corp. of Minneapolis, Minnesota, and microprocessors from Intel Corp. and Motorola Inc.

In addition, Nixdorf has purchased a license from Xerox Corp. for Ethernet, a high-speed local

(Continued on Page 19, Col. 3)

LTV to Acquire Republic In $600-Million Merger

The Associated Press

DALLAS — LTV Corp. has agreed to acquire Republic Steel Corp. through a $600-million exchange of stock that would create the United States' second-largest steelmaker, the companies announced Wednesday.

The LTV chairman, Raymond Hay, said Republic will be combined with LTV's steel subsidiary, Jones & Laughlin Steel Inc., and will be known at LTV Steel, based in Cleveland, Ohio, where Republic has headquarters.

E. Bradley Jones, chairman of Republic, would be chairman of the new company, whose steelmaking capacity would rank below only U.S. Steel Corp. among American steel manufacturers. David H. Hoag, now president and chief executive of Jones & Laughlin, would be president and chief operating officer.

Mr. Hay said the merger "will provide a more efficient and competitive enterprise. It's no secret that the American steel industry has lost its place in the market."

Under the agreement, holders of Republic's 17.8 million shares of common stock would receive 1.5 shares of LTV common stock for each Republic share, a transaction valued at $480.6 million, based on the $18-per-share price of LTV's common stock before it was halted Tuesday on the New York Stock Exchange.

In addition, each shareholder would receive 0.3 share of a newly created class of LTV's convertible preferred stock for each Republic share. And each of the special shares would be convertible into 1.22 shares of LTV common stock, adding another $117.3 million to the value of the deal.

That would bring the total value of the transaction, based on current stock prices, to $597.9 million.

The merger is subject to various conditions, including approval by both companies' stockholders.

Rumors of a possible merger surfaced Tuesday when both companies requested trading halts in their stock, pending separate board meetings and an announcement on Wednesday. Before the halt, Republic's common stock was priced at $26.50 a share.

Steel industry analysts told The New York Times the merger probably would face few obstacles under federal antitrust laws because of the depressed state of the steel industry.

And Mr. Hay and Mr. Jones said, "Given the steady competitive decline of the domestic integrated companies and the intensity of foreign competition, we do not believe that the antitrust laws, properly applied, will act as a barrier to the proposed merger."

For the first six months of 1983, Republic reported losses of $80 million and LTV said it lost $138 million.

Republic had a loss of $239 on sales of $2.7 billion in 1982, while LTV lost $155 million on sales of $4.7 billion. Overall, the steel industry listed losses of more than $3 billion in 1982, blamed largely on competition from cheaper foreign imports.

Trans World Orders TWA Spinoff Study

The Associated Press

NEW YORK — Struggling Trans World Airlines may be spun off from its parent, Trans World Corp., the board announced Wednesday.

Trans World owns 81 percent of the airline's shares and controls Hilton International Co., Century 21 Real Estate, Spartan Food Systems Inc. and Canteen Corp.

Meeting in Chicago, the board directed management to develop a detailed program under which the company's stock holdings in TWA would be distributed to Trans World Corp.'s common stockholders, establishing TWA as a separate, publicly held company, Trans World said in a statement.

Trans World said that separation of the airline was one of the options presented to the board earlier this month by Goldman Sachs & Co., the investment bankers retained to study the structural and financial alternatives available to the board.

The board said, in a statement, it is giving the option its "most careful consideration" and said if it votes to proceed with a separation plan, Trans World would seek stockholder approval at a special meeting late this year or early next year.

For the first six months of the year, Trans World's non-airline operations reported pre-tax earnings of $45.6 million, an increase of 28.1 percent over the first six months of 1982. Revenue was $890.9 million, an increase of 1.6 percent.

TWA recorded a $108.9 million pre-tax first-half loss, compared with a pre-tax loss of $84.7 million a year earlier. Revenue was $1.51 billion in the first half of 1983, down from $1.54 billion in the year-earlier period.

TWA is the leading airline across the Atlantic, and flies an extensive route to major cities in the United States, Europe and the Mediterranean.

Eastern Cancels Airbus Delivery

The Associated Press

PARIS — Eastern Airlines will not take delivery of the last four A300 Airbuses it ordered from Airbus Industrie, the European aircraft consortium, because of the airlines' financial problems, Bernard Lathière, chief executive of Airbus Industrie, said Wednesday.

The Eastern cancellation is another setback for Airbus, whose order book has taken a battering as a result of the airline industry's slump.

The consortium will have 22 aircraft without buyers at the end of this year, including the four Eastern planes, Mr. Lathière said.

Armco Announces $316-Million Divestiture Plan

The Associated Press

MIDDLETOWN, Ohio — Armco Inc., the sixth-largest U.S. steelmaker, announced a divestiture and streamlining plan Wednesday that it hopes will make the company profitable again.

It includes combining flat-rolled carbon steel operations in Middletown and Ashland, Kentucky, and selling $316 million in assets.

Harry Holiday, chairman of the diversified specialty metals and financial services company, said the consolidation and the sale of coal and oil assets would help "strengthen Armco's balance sheet and set the stage for a return to profitability."

Armco's Eastern Steel Division, which includes the Middletown and Ashland mills, had an operating profit of $8.6 million in 1981, and Armco Inc. earned $294.5 million that year, a company spokesman, Scott Aiken, said.

But last year, the division, which includes iron ore, coal and limestone operations, had an operating loss of $252.6 million, and Armco Inc. posted losses of $345.1 million.

The realignment is designed to "focus on improving operating results in each line of business, including continued analysis of each product line at each location," Mr. Holiday said.

He disclosed that Armco has completed the sale of an oil and gas unit for $66 million and has signed a letter of agreement to sell coal properties for about $250 million.

The sale of Strata Energy Inc., a Houston-based oil and gas production company, to Natural Resource Management Corp. of Dallas was completed Tuesday for $66 million, Mr. Holiday said.

He also announced that Armco and Peabody Holding Co. of St. Louis have signed a letter of intent for Peabody to buy Armco's West Virginia coal properties for about $250 million.

Included in that sale are 14 operating coal mines that together are capable of producing more than 5 million tons of coal a year, and six preparation plants capable of processing 6 million tons a year.

"We intend to enter 1984 as a healthy, revitalized and highly focused company," Mr. Holiday said. "Certain operational challenges must still be met, such as marginal facilities and our excess iron ore situation. But we expect those challenges to be addressed this year."

Mr. Holiday said combining the Middletown and Ashland facilities would allow the company to operate the most efficient part of each plant. Middletown's open hearth steel melting would be moved to Ashland, which would transfer rolling and finishing operations to Middletown.

N.Y. Stock Prices Fall In Moderate Trading

United Press International

NEW YORK — Prices on the New York Stock Exchange fell in moderate trading for the second consecutive session Wednesday, although some blue-chip and transportation issues rebounded late in the day.

Brokerage stocks, faced with lower quarterly earnings, were hard hit again. But International Business Machines attracted attention on speculation it would soon introduce a new personal computer.

The Dow Jones industrial average, which skidded 12.80 Tuesday, surrendered another 6 to 1,241.97. It rose 5.18 to a record 1,260.77 Monday.

The Dow Jones transportation average, down sharply in the early going after plunging 16.95 Tuesday, rose 0.61 to 566.32 after Trans World said it might spin off its airline unit.

Declines led advances 4 to 3 as volume slowed to 75,820,000 shares, down from the 81,100,000 traded Tuesday.

"The market tried to rally but just couldn't muster the strength," said Michael Metz of Oppenheimer & Co. "With the end of the quarter approaching, institutions are weeding out their portfolios and that caused some erratic movements."

He said investors have made huge gains and are cashing in on those profits now that the bull market is a year old and their capital gains will be taxed at the lower long-term rate.

Nevertheless, "the market doesn't look that bad," said Ricky Harrington of Interstate Securities in Charlotte, North Carolina. "Basically, it came down on bankruptcy news. But when the market knows the reason for the decline, it can adjust."

Continental Corp. was the most active NYSE-listed issue, off 2 to 31⅛ with a block of 2,579,700 shares at 31½.

Merrill Lynch was the second most active issue, off 1⅜ to 32⅞. The stock lost 2⅞ Tuesday after two New York investors sued the brokerage over a Baldwin-United single-premium annuity they bought through Merrill Lynch.

Some other brokerages fell. E.F. Hutton Group lost 2½ to 39¾, Paine Webber 1¼ to 39, A.G. Edwards ¼ to 26⅛ and Dreyfus Corp. 1⅜ to 50¾.

American Telephone & Telegraph was the third most active issue, unchanged at 65⅜.

IBM rose ⅞ to 128¾ following reports that Merrill Lynch had predicted the company would unveil its Peanut personal computer on Nov. 1. IBM had no comment.

International Harvester, which said sales of its French operations have reduced its cash shortages, gained 2½ to 11¾ in heavy trading.

Some Banks Likely to Ask Concessions for Brazil

By James L. Rowe
Washington Post Service

WASHINGTON — Some big banks, worried that Brazil will collapse financially if it does not receive easier loan terms, may call for lower interest rates and longer repayment times at meetings that begin Friday, a number of bankers say.

On that day, the 14-member advisory committee that represents Brazil's several hundred bank creditors will hold discussions on the terms of $6.5 billion in new loans that were agreed upon Monday for Brazil. These would enable the country to pay interest on its loans, buy vital imports and make investments.

Early this year, banks agreed to lend Brazil $4 billion while the International Monetary Fund extended a three-year, $4.7-billion loan. The banks also agreed to renegotiate maturing loans that cannot be repaid on time.

At advisory committee meetings last week, one banker said, the participants spent so much time discussing how much new money the banks would be willing to come up with this year and next that the terms of the new loans were not discussed.

On Monday, after an appeal by the IMF managing director, Jacques de Larosière, the chairman of the advisory committee, William R. Rhodes of Citibank, announced agreement on an additional $6.5 billion in loans to Brazil by the end of 1984. But smaller banks apparently have yet to approve the amounts, and there were no reports of agreement on the terms.

Earlier this year, in return for giving Brazil the $4 billion in new loans, the major commercial banks charged high front-end fees as well as interest rates that averaged about 2 percentage points above the U.S. prime rate.

The banks also charged high rates on both refinancing agreements and new loans to other major borrowers that have had trouble repaying their debts. The banks cited the increased risks in lending to financially strapped debtor nations as the reason.

But a number of major bankers, who asked not to be identified, said there is a growing realization that the high interest charges, whatever their justification in terms of risk, are making it harder for the region's biggest debtor to pay off its loans. Brazil has an overall estimated foreign debt of about $92 billion, much of it owed to banks.

"I'd be willing to eat some profits on Brazil loans if I could sleep better at night thinking the loans have a better shot at being repaid," said the head of Latin American lending at a major bank.

But whether the majority of banks will be willing to grant Brazil easier terms, as they often do with companies in financial trouble, is unclear.

One banker said that profits at some banks are more dependent upon foreign loans than at others. Those bankers, he argued, worry that if they give Brazil concessions other countries like Mexico will demand easier terms, even if, as is suspected, those countries can afford the higher loan charges.

"In many cases it would then become even more difficult to pry more money from the banks," the banker said.

Continued bank lending is a key part of the IMF's strategy to keep the troubled debtor nations afloat until a revival in the world economy boosts their exports and permits them to earn enough money to repay their debts.

Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street

(Continued from Page 8)

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
21¼	13⅝	SwFlBk	.80	4.1	9	5	19⅝	19¾	19¾	
16½	9	SwtFor				1485	16⅛	15	15⅛	— ⅞
11	9¼	SwtGas	1.16	10.5	18	93	11	10¾	11	+ ⅛
22½	9⅝	SwEnr	.52	2.6	13	24	20⅛	19⅝	19⅝	— ⅛
19¼	14¾	SwtPS	1.62	8.8	8	333	18½	18⅜	18½	
40	15⅜	Spartn	.72	1.9	14	8	38⅝	38⅜	38½	— ⅛
37½	14	SpectP			196	71	33¼	32⅞	33¼	+ ¼
46½	21⅝	Sperry	1.92	4.2	16	7797	46	43⅞	46	+1⅛
45	31½	Springs	1.52	4.2	9	199	36⅝	36½	36⅝	+ ¼
40	27⅛	SquarD	1.84	5.3	16	70	35⅛	34⅞	34⅞	— ⅛
53¼	40½	Squibb	1.34	2.6	17	856	52	51⅝	52	+ ⅝

(Continued on Page 20)

U.S. Future Prices Sept. 28

Grains

Food

Financial

Metals

Livestock

Industrials

Stock Indexes

Commodity Indexes

London Commodities Sept. 28

Figures in sterling per metric ton. Gasoil in U.S. dollars per metric ton.

London Metals Sept. 28

Figures in sterling per metric ton. Silver in pence per troy ounce.

Paris Commodities Sept. 28

Figures in French Francs per metric ton.

NYSE Highs-Lows Sept. 28

Dividends Sept. 28

AMEX Highs-Lows Sept. 28

NEW HIGHS 9

CandgaWne n	Frischs Rst	GrandAuto s
Iroquois Bd	ParkEl s	Seton s
SikesCp A	WherhseEnt	YankeeOG s

NEW LOWS 9

AndrsJacobs	BeetsikCh n	BeltranCp
Fotomat	Hawaii Airl	McRae A
McRae B	SMD Ind s	Telsphre n

Cash Prices Sept. 28

Commodity and Unit	Wed.	Year Ago
Coffee 4 Santos, lb	1.36½	1.44
Printcloth 64/30 38 ½, yd	0.66½	0.55
Steel billets (Pitt.), ton	453.00	420.00
Iron 2 Fdry. Phila., ton	213.00	213.00
Steel scrap No 1 hvy Pitt.	79-80	57-58
Lead Spot, lb	22-23	24½
Copper elect., lb	74	70-72
Tin (Straits), lb	6.4601	6.3095
Zinc, E. St. L. Basis, lb	0.46	0.40
Palladium, oz	152	—
Silver N.Y., oz	11.87	8.32

Brock Is Pleased With Trade Talks

Reuters

OTTAWA — The U.S. trade representative, William E. Brock, said he is pleased with the progress made during two days of closed-door meetings with trade ministers from Canada, Japan and the European Community on efforts to dismantle world trade barriers and combat protectionism.

He said Tuesday the meeting was the most productive so far of the informal sessions he inaugurated two years ago.

The ministers will discuss the results with their governments before pushing for greater trade liberalization within world agencies such as the General Agreement on Tariffs and Trade, he said. He added that a separate meeting on Japanese car exports to the United States would be held within days.

Hitachi to Build Inland Plants

Reuters

TOKYO — Hitachi Zosen Corp. said Wednesday that it has received a $100-million order for a continuous casting facility from Mitsubishi Corp., to be supplied to Inland Steel Co. The two plants will have an annual capacity of 1.4 million and 1.1 million metric tons, and will be installed at Inland Steel's Indiana Harbor works.

Firms From West Call for Curbs on Counterfeit Goods

New York Times Service

PARIS — Representatives of nearly 2,000 leading U.S. and European manufacturing companies, expressing concern about the rapid growth of trade in counterfeit trademarked goods, have called on their governments to curb imports of such merchandise into the West.

The meeting, called here by the International Chamber of Commerce, marked the start of a campaign by the companies to pressure Western governments into taking tougher action against the trade in counterfeit goods, which carry reputable trademarks but are manufactured illegally out of inferior materials, mainly in the developing world.

The campaign follows the failure last year of a ministerial meeting of the General Agreement on Tariffs and Trade, the Geneva-based body that oversees world trade, to agree on a new international code of restrictions.

The business representatives Tuesday endorsed the code that had been proposed by GATT last year. They said Western government should agree to enforce it on their own, without waiting for Third World support.

هكذا من الأصل

BUSINESS BRIEFS

U.S. Economists See Slow Recovery With Possible Recession in '85 or '86

DETROIT (AP) — A new survey shows that American business economists think that the current U.S. recovery will receive a sharp setback in the form of a recession in 1985 or 1986 but likely will continue slowly through the next five years.

"In spite of concerns over the longevity of the current recovery, the outlook for economic growth through 1987 would appear to be more favorable than during the past five to six years," A. Nicholas Filipello, president-elect of the National Association of Business Economists, said Wednesday at the group's annual meeting.

"Many of us expressed concern that continuing high federal budget deficits and attendant 'crowding out' would result in a premature end to the current recovery," Mr. Filipello said.

The economists predicted 4.5 percent real growth in the gross national product in 1984, up from 3.2 percent in 1983. Business investment will increase about 4.7 percent in 1984 after an estimated 1-percent decline by the end of this year, the economists predicted.

Sainsbury to Buy Stake in U.S. Chain

LONDON (Reuters) — J. Sainsbury PLC said Wednesday it had agreed to buy up to 25 percent of Shaws Co., a private New England food store chain.

The agreement guarantees a minimum investment of $20.1 million cash for a 20 percent stake. The purchase price will be financed by U.S. borrowings. A Sainsbury spokesman said the transaction is the group's first investment outside Britain. Sainsbury had been searching for a U.S. food retailing partner since the late 1970s.

Shaws has 41 stores in Massachusetts, New Hampshire and Maine. Pre-tax profit in 1982 was $17 million on sales of $640 million. Sainsbury said the 2.6 percent margin was well above the U.S. food industry average.

Ford Recalls Some Workers to Rouge

DEARBORN, Michigan (UPI) — Ford Motor Co. said Wednesday it will call back 650 to 750 laid-off workers at its Rouge Steel mill on Monday as a result of a newly approved contract giving union concessions.

The workers were among 1,000 laid off in the past month as part of Ford's effort to cut costs at the U.S. auto industry's last remaining steel mill.

United Auto Workers members at Rouge Steel on Friday approved a pact calling for $4.13 an hour in concessions to keep Ford from going ahead with plans to close the facility. Rouge Steel workers make about $28 an hour, $5 an hour more than in the rest of the steel industry. Ford had said it could not operate the mill profitably without the concessions and also pledged modernization at the plant if they were approved.

Kodak Introduces Better Disc Film

ROCHESTER, New York (UPI) — Eastman Kodak Co. on Wednesday announced plans to begin shipping a new disc film in October that the company said will improve the grain, sharpness and contrast of disc photos.

The new film, Kodacolor VR Disc Film, will replace the Kodacolor HR Disc Film introduced with the first disc cameras 18 months ago, Kodak said. The price will remain the same, the company said.

"We've changed the name to reflect the further refinement in the original technology that enabled development of disc film," said Frank Strong Jr., Kodak's vice president and general manager of the U.S. marketing division.

Nixdorf Buys From Abroad

(Continued from Page 17)

area network used for integrated office communication.

According to Stuart Savory, head of research in Nixdorf's artificial-intelligence division, that cooperation has been instrumental in developing Nixdorf's "expert" systems — software systems capable of simulating knowledge of human experts. Nixdorf has already produced prototype systems now used for its in-house computer assembly, and it hopes to be the first European company to market expert systems by late 1984.

According to Mr. Luft, the importance of the United States, which accounts for about 50 percent of the world market for data processing equipment, has also attracted Nixdorf.

After losing money for three years in the United States, its subsidiary there, Nixdorf Computer Corp. of Burlington, Massachusetts, showed a modest profit of $3 million last year on revenues of $143 million.

The company's biggest problem in the United States has been a lack of buyer recognition. In an effort to correct that situation, it channeled $1 million into advertising in the United States in 1983.

The vanguard of the company's efforts remains its sales and service force — fully half of its revenues are derived from service and rentals.

In Germany, where Nixdorf says it has 6 percent of the total computer market and 22 percent of the office-systems market, its smaller size allowed it the flexibility to exploit areas IBM missed.

"We have always been grateful to IBM for enlarging our own market," Mr. Luft said wryly. The company has been selling its custom-tailored packages to such diverse clients as lawyers and Daimler-Benz, last year out-selling IBM by 1,269 to 720 systems in the $30,000-to-$50,000 range.

The company sells one out of three of its systems to banks, which it pulls in with exotic software packages, such as one it designed to handle mortgage closings.

Miles Thistlewaite, a private analyst for Inteco Corp. in London, says that Nixdorf has less than 2 percent of the British market for small and medium-sized business systems but has scored much better with sales to banks. Nixdorf currently claims 8 percent of the British and 21 percent of the French market in that category, and Mr. Luft has said that the company hopes to double its sales in Britain next year.

Klaus Luft

Nixdorf's digital private automatic branch exchange, or PABX, was introduced in West Germany in early 1982, but according to Hans Rilk, a private consultant for the Beratungsinstitut für Informations und Telekommunikationstechnik in Frankfurt, the company has captured only a small part of the market.

The company is ambitiously predicting that revenues will "almost double in the next three years," but another private analyst in Frankfurt cautions that technological advances in personal computers will force Nixdorf to add a personal computer to its line if it wants to hang onto the lower end of the market.

The company employs 4,000 persons at its headquarters near Paderborn. Despite growing dependence on foreign technology, the company likes to boast that it still produces 90 percent of its own mechanical parts. Its sprawling factory uses 20 tons of sheet metal daily in making housings, and it even makes its own tools and office furniture.

Said Mr. Luft: "The Europeans do things a little bit more complicated than the Americans — but better."

U.S. Trade Deficit in August Grew to Record $7.2 Billion

United Press International

WASHINGTON — The U.S. trade deficit in August grew to a record $7.2 billion, the Commerce Department said Wednesday.

The deficit was $280.3 million wider than the previous monthly record shortfall of $6.9 billion in May.

"Rising imports reflect the economic expansion and the strong dollar," David Lund, a department economist, said.

The figures indicated that September's results will push the deficit past the record $42.9 billion for all of last year. From January through August the trade deficit has grown to $40.7 billion.

By the end of the year, Commerce Department analysts expect the deficit will have grown to as much as $70 billion.

The deteriorating U.S. trade position is not confined to merchandise. Earlier this month, the department reported that the traditionally strong U.S. surplus in the sale of services, such as engineering and insurance, has not grown in three quarters.

Total export sales earned $16.6 billion in August, 0.1 percent more than July, while imports totaled $23.8 billion, 3.6 percent more than in July.

The August figures showed a continuation of the major conditions increasing import purchases and holding back export sales: increased consumer demand as the U.S. economy recovers, the weak condition of many big customers such as Mexico and the strength of the dollar.

Trade with Mexico, the third largest U.S. trading partner, improved again in August with the deficit shrinking to about June's level, $510 million. In July and August exports to Mexico were 21 percent higher than the April-June quarterly average, reflecting Mexico's recovery.

The growth in oil imports has been accelerating as recovering industries use more energy. In August, oil imports grew 10.6 percent in volume, to an average of 6.1 million barrels a day.

In all, the August oil, at $29.73 a barrel, cost $5.6 billion, 11.9 percent more than in July.

Government analysts could not immediately explain a $204-million surge in the import of silver bullion in August, bringing the value of imported silver to $346.5 million.

Trade with Japan contributed $1.8 billion to the deficit, compared with July's $2-billion deficit.

Trade in manufactured goods produced a deficit in that category alone of $3.6 billion, a growth of $338.3 million since July.

U.S. manufacturers overwhelmingly blame the strong dollar for their trade setbacks, the National Association of Manufacturers said Wednesday. "By a 75-percent vote, NAM's board of directors cited the dollar exchange rate as the principal factor negatively affecting U.S. trade," NAM president Alexander Trowbridge said.

"Should the deficit be reduced interest rates will come down and the misalignment (of currencies) should be reduced as well," he said.

The NAM's call for some manipulation of the exchange rate has been rejected by the Reagan administration. Earlier this month Treasury Secretary Donald Regan said any such intervention in exchange markets was "not feasible."

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Spanish Firm Sued by SEC In Stock Deals

Washington Post Service

NEW YORK — The Securities and Exchange Commission has filed a suit charging a Spanish securities trading company and its New York subsidiary with selling and not delivering at least $230 million in U.S. and European stocks and bonds to several major brokerage houses.

Transactions cited in the suit, all made within the past two months, involved at least six Wall Street brokerage firms, which now face losses of at least $21 million stemming from the actions of C&R Pastor Securities Ltd. SA, the Spanish firm, and its subsidiary.

The six firms are Merrill Lynch, Pierce, Fenner & Smith Inc., which sources said is exposed to about $8 million in losses; Advest Group Inc., which said Monday that it faces a quarterly write-off of $1.5 million for securities that had not been delivered by a customer; Bear Stearns & Co., which faces an exposure of less than $2 million; Lehman Brothers Kuhn Loeb Inc; Ernst & Co.; and New York and Foreign Securities Corp.

The suit, filed Tuesday, names as defendants the Madrid firm, C&R Pastor Securities Ltd., SA; its New York subsidiary, C&R Pastor Inc.; the president of the New York firm, Raphael Pastor; and its vice president, James Anthony Lockhart.

■ Pastor Claims Insolvency

Both of the firms named in the SEC suit are subsidiaries of an insolvent group based in Panama, Reuters quoted a Pastor spokesman as saying Wednesday in Madrid. The spokesman added that it was unlikely that the Panamanian group would be able to pay for any losses its clients may have sustained.

The spokesman issued the following statement:

"C&R Pastor Securities Ltd. SA (Panama) is insolvent and will not be able to complete deals that are open between ourselves. Banks, brokers and other organizations are advised to take such steps as they deem prudent with respect to open items.

Over-the-Counter

Sept. 28

NASDAQ National Market Prices

Stock	Div.	Yld.	Sales in 100s	High	Low	3 pm	Net Ch'ge
CmcsU	.80	4.1	11	19⅝	19⅝	19⅝	
ComAm			74	5⅝	5¼	5¼	— ⅛
ComInd	.32	1.5	314	21⅛	20	21¼	+ ¾
CompC	.32	1.4	461	23⅜	22⅞	23⅛	— ¼
Compcp			191	10⅝	10⅛	10⅛	— ⅛
CCTC			75	21	20¼	20¼	—1
CmpA s			42	29¾	29½	29¾	— ⅛
CmpDv			257	3⅞	3⅝	3⅝	+ ¼
CmpM s			907	20	19⅝	20	+ ¾
Cmputn			73	8¼	7¼	7¼	—1
Cmsrve			137	9⅝	9¼	9¼	— ¼
Cmpshp			167	14	13¼	13¼	— ½
Comtch			799	7½	6⅝	7⅛	— ⅛
GdTaco			163	6⅝	6⅝	6⅝	
GouldP	.68	3.9	18	17½	17	17⅝	— ⅛
Grantre			59	8⅝	8½	8½	— ⅛
GraphSc			1068	15¼	14½	14⅝	
GBayCs			6	25	25	25	— ¼
GlfNuc	.02e	.3	137	5⅝	5⅝	5⅝	
H							
HBO s	.10	.3	172	40½	39½	40	— ¼
Hadson			144	6⅝	6⅝	6⅝	
HamlPt	.10	.6	25	17	16⅝	16⅝	— ⅜
HarpGp	.30	1.1	16	28¼	28¼	28¼	— ½

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INTERNATIONAL FUNDS

September 28 1983

The net asset value quotations shown below are supplied by the Funds listed with the exception of some funds whose quotes are based on issue prices. The following marginal symbols indicate frequency of quotations supplied for the IHT: (d)—daily; (w)—weekly; (m)—monthly; (b)—bi-monthly; (r)—regularly; (i)—irregularly.

AL-MAL MANAGEMENT CO. S.A.
—(m) Al-Mal Trust .... $ 134.64

BANK JULIUS BAER & Co Ltd
—(d) Baerbond .... SF 794.70*
—(d) Conbar .... SF 971.00*
—(d) Grobar .... SF 953.00
—(d) Stockbar .... SF 1,275.00*

BANK VON ERNST & Cie AG PB 2622 Bern
—(d) CSF Fund .... SF 22.27
—(d) Crossbow Fund .... SF 8.02
—(d) ITF Fund N.V. .... $ 17.58

UNION BANK OF SWITZERLAND:
—(d) Amca U.S. Sh .... SF 34.75
—(d) Bond-Invest .... SF 63.00
—(d) Fonsa Swiss Sh. .... SF 108.50
—(d) Globinvest .... SF 75.50
—(d) Japan-Invest .... SF 763.50
—(d) Pacific-Invest .... SF 162.50
—(d) Safit South Afr Sh .... SF 588.00
—(d) Sima Swiss R Est .... SF 209.00

UNION INVESTMENT Frankfurt
—(d) Unirenta .... DM 39.02
—(d) Unifonds .... DM 19.11

Other Funds

Weekly net asset value

Tokyo Pacific Holdings N.V.

on September 26, 1983: U.S. $113.80

Listed on the Amsterdam Stock Exchange

Information: Pierson, Heldring & Pierson N.V., Herengracht 214, 1016 BS Amsterdam.

Floating Rate Notes

Sept. 28

Banks

Non Banks

Prices supplied by Credit Suisse-First Boston Ltd., London

Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street

(Continued From Page 18)

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
33⅝	16⅝	Staley	.80	3.3	31	266	24¾	24	24⅛	— ⅛
28¼	14⅝	SBPnt s	.50	2.2	16	168	23⅝	23	23¼	
60	23	StdMot	.64	1.1	17	157	57⅝	55¾	56¼	+ ⅜
40⅞	28	StOilCl	2.40	6.6	8	3253	36⅝	36⅛	36½	
55	35⅝	StOInd	2.80	5.6	8	1284	50¼	49½	49⅞	— ¼
58⅞	30¾	StdOOh	2.60	4.9	8	964	53¾	52⅝	53⅝	— ⅜
23	6⅞	StPacCp	.20	1.0	35	94	19⅝	19¼	19½	+ ¼
30⅝	14½	Standex	1.00	3.4	12	8	29⅛	28⅞	29	— ⅛
27	17½	StanWk	.76	3.4	15	86	22⅜	22¼	22¼	— ¼
10⅞	9⅝	StaMSe	1.23e	12.3		137	10⅛	10	10	
31¾	19⅛	StaufCh	1.44	5.8	27	71	28⅞	28½	28⅝	— ⅛
6⅛	3½	Steego	.12b	2.6	58	32	4⅝	4½	4⅝	— ⅛
22½	9⅝	Sterchl	.76	4.1	15	11	18⅝	18⅜	18⅜	— ⅛
11⅞	7	StrlBcp	.72	7.4	9	26	9¾	9½	9¾	
29⅝	21¾	SterlDg	1.12	4.4	12	449	25⅞	25¼	25⅝	
26	15⅝	StevnJ	1.20	6.0	20	140	20⅜	19¾	19⅞	— ½

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
18⅞	8⅝	Tosco				366	10¼	10	10¼	+ ⅛
31¼	19⅝	Towle	.44	1.8	46	15	24¼	23¾	24¼	+ ½
48⅝	20¾	ToyRU s			35	721	44⅝	43⅝	44	— ½
31	19½	Tracr s	.28	1.1	18	75	25⅝	25¼	25⅝	+ ⅜
40⅝	22¼	Trane	1.36	3.6	16	37	38⅜	38¼	38⅜	— ¼
18⅝	9⅝	TWA n				627	9⅞	9¼	9⅝	— ⅜
17¼	14¼	TWA pf	2.25	16.1		481	14⅛	14	14	— ¼
22¼	18	TWA pfB	2.25	12.2		111	18⅝	18	18⅝	
36⅞	17⅝	TW Cp			115	2029	26⅛	25⅛	25⅝	— ⅞
14⅞	5⅝	TW wt				771	9⅞	8⅝	9⅝	+ ⅜
16⅝	5⅝	TW wtA				34	10⅛	9⅝	9⅝	— ⅜
23½	14⅝	TWC pf	2.00	10.3		19	20	19½	19½	— ½
17	12¼	TWC pf	1.90	13.8		41	13⅝	13¾	13¾	— ¼
41	24	TWC pf	2.66	7.7		213	34½	30¾	34½	+2½
31½	19⅝	Transm	1.56	5.6	9	6069	27¾	27½	27¾	+ ⅛
20⅝	17¼	Traninc	2.16	11.7		18	18⅝	18½	18½	— ¼

COMPANY EARNINGS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Australia

Broken Hill

1st Quar.	1983	1982
Revenue	1,270.	1,198.
Profits	123.4	84.1

Britain

Nthern Engin. Ind.

1st Half	1983	1982
Revenue	413.0	405.0
Profits	14.11	12.80
Per Share	0.0353	0.0521

Japan

Canon

1st Half	1983	1982
Revenue	307,870.	274,340.
Profits	13,020.	7,470.
Per Share	26.50	18.37

United States

Amer. Medical Ent.

4th Quar.	1983	1982
Revenue	437.4	N.A.
Net Inc.	25.67	19.56
Per Share	0.51	0.42

Year	1983	1982
Revenue	1,680.	1,400.
Net Inc.	101.51	78.81
Per Share	2.04	1.57

Beatrice Foods

2nd Quar.	1984	1983
Revenue	2,370.	2,330.
Net Inc.	87.1	84.8
Per Share	0.78	0.76

1st Half	1984	1983
Revenue	4,690.	4,600.
Net Inc.	162.6	158.5
Per Share	1.47	1.41

1983 results restated.

Marriott

3rd Quar.	1983	1982
Revenue	747.1	631.6
Net Inc.	36.67	29.98
Per Share	1.32	1.10

9 Months	1983	1982
Revenue	2,080.	1,740.
Net Inc.	84.2	69.2
Per Share	3.03	2.54

Nat'l Medical Ent.

1st Quar.	1984	1983
Revenue	584.3	442.0
Net Inc.	26.9	19.4
Per Share	0.40	0.32

Per share results adjusted for 5-for-4 split in April 1983.

Rite-Aid

2nd Quar.	1984	1983
Revenue	349.7	302.1
Net Inc.	12.6	10.7
Per Share	0.60	0.51

1st Half	1984	1983
Revenue	694.3	596.6
Net Inc.	24.0	20.2
Per Share	1.14	0.96

Per share results adjusted for 3-for-2 split.

Roadway Services

3rd Quar.	1983	1982
Revenue	291.8	268.4
Net Inc.	25.31	20.48
Per Share	1.26	1.03

9 Months	1983	1982
Revenue	842.4	792.2
Net Inc.	67.18	51.42
Per Share	3.35	2.59

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
18¼	9⅝	WAir pf				97	12⅝	11¾	12⅝	+1
12	6⅝	WCNA	.12i		66	1145	11⅝	11	11¼	+ ⅛
54¼	44	WCNA pf	7.25	13.9		1	52¼	52¼	52¼	
77	52½	WPacI			15	1	76¼	76¼	76¼	— ½
54¼	31⅝	WUnion	1.40	4.4	9	422	31⅞	31½	31⅝	— ⅛
10⅛	8⅝	WUn dpf	1.18	12.6		25	9⅜	9⅛	9⅜	
22½	18	WUTl pf	2.56	12.5		4	20⅝	20¼	20½	+ ¼
53⅝	30	Westg	1.80	3.8	10	895	47½	46⅝	47⅝	— ⅜
36¼	21¼	Westvc	1.20	3.8	15	81	32¼	31¾	31¾	— ¾
41⅝	28⅝	Weyerh	1.30	3.8	65	1130	34⅝	33⅝	34	— ⅝
52⅝	37¼	Weyr pf	2.80	6.5		79	43¾	43	43⅝	— ¼
57¼	44⅝	Weyr pr	4.50	9.1		38	49½	49	49½	

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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PAGES 24 & 23 FOR MORE CLASSIFIEDS

هكذا من الأصل

Pöhl Predicts That IMF Will Need Another Emergency Loan in 1984

By Hobart Rowen
Washington Post Service

WASHINGTON — Under the best of circumstances, the International Monetary Fund will need another emergency loan from major nations of $6 billion to $7 billion in 1984, according to the president of the West German central bank, Karl Otto Pöhl.

Mr. Pöhl acknowledged in an interview that it will be difficult to raise that much money in view of the reluctance of the U.S. and European governments to strain their budgets to create additional resources for the IMF.

Mr. Pöhl assumed that two events critical to helping replenish IMF funds will take place by the end of the year. He presumed that the U.S. Congress will approve an $8.4-billion IMF bill, which will pave the way for other countries to pay their larger quotas, and that there will be a $6-billion "bridging loan" split equally between European central banks and Saudi Arabia.

That $6 billion would cover by the end of the year what the IMF managing director, Jacques de Larosière, has called the "commitment gap" — the difference between the IMF's firm commitments and its money in hand. At that stage, the IMF expects to begin to collect money from the 48-percent increase of quotas, which will provide about $15 billion in hard currencies, useable for loans.

But Mr. Pöhl said that will not be enough because the Interim Committee, in a weekend session, agreed to keep its "enlarged access" policy in effect for one more year, allowing nations — on the average — a borrowing ceiling equal to that of 1983.

Mr. de Larosière himself hinted at that possibility in his annual address on Tuesday, although he did not put a price tag on new needs.

Despite the suggestion by Finance Minister Jacques Delors of France that prospects had improved for the European share of the $6-billion bridging loan, Mr. Pöhl said that "we [Germans] have not decided whether to participate." He observed that West Germany already had about 20 percent of its reserve assets tied up in the IMF.

He cited three conditions being set by the West Germans.

First, he said, a limitation must be placed on IMF lending, as sought by the U.S. government. He termed the compromise reached last weekend "very crucial" and "a good solution — I'm very satisfied with that."

Second, there is the critical question of the U.S. appropriation for the IMF — $5.8 billion in larger quotas, and $2.6 billion for the General Agreements to Borrow, a separate IMF "crisis" fund. "I can't imagine that the United States Congress would not accept this responsibility," Mr. Pöhl said.

Third, Mr. Pöhl mentioned the lack of U.S. participation in the $6-billion bridging loan. It irks Europeans, he said, that the United States has been excluded from this extra demand by the IMF. "Why shouldn't [the United States] participate?" he asked.

As for the $6 billion to $7 billion package that Mr. Pöhl thinks will be needed next year, Mr. Pöhl said one solution to the problem would be to activate the enlarged GAB pool, assuming that the $8.4-billion total appropriation is approved by Congress.

"But Don Regan talks tough on that," Mr. Pöhl conceded, referring to the U.S. Treasury Secretary, Donald T. Regan. The U.S. position is that the GAB money should not be used to supplement normal IMF resources but should be used only in case of an expected global crisis. Another solution would be for the IMF to borrow in the commercial market, he said.

AP

Karl Otto Pöhl

U.S. to Allow Firms to Keep Satellite Data Secret

Decision to Permit Private Sale of Information May Affect Free Access Policy

By Philip J. Hilts
Washington Post Service

WASHINGTON — The Reagan administration has decided to allow private satellite companies to keep secret some information collected by their craft and sell it under exclusive contract to a single company or country.

The decision appears to affect a 25-year-old policy under which satellite pictures of the Earth, as well as oil and mineral data, have been freely available to all nations.

The satellite flights have long been controversial. Some countries contend that the photography is a form of spying and that the information could be used against them by other nations or multinational companies.

The United States has countered the argument by making all its land-sensing satellite pictures available for sale to all countries, so that none can secure an advantage.

This open sharing of satellite data has been the linchpin of U.S. satellite policy. The United States has repeatedly reaffirmed it at the United Nations, by arguing and voting for the so-called "open skies" policy of unrestricted sharing of land satellite data.

The open skies policy states that all countries are free to put up satellites, and that all the data collected should be sold to all those interested, without discrimination.

Lisle Rose, an official in the State Department's Office of Science and Technology, said the action by the department is "not a change in policy yet," but may or may not become one when private companies begin to operate.

The move was announced eight weeks ago, at a meeting of the Landsat Advisory Committee of the Commerce Department. At that meeting, the State Department announced that it will not require U.S. corporations to follow the "open access to data" rule.

State Department officials said the reason for stepping back from the policy was to give private companies that want to go into the land-satellite business a competitive advantage over foreign competition.

The only potential competitor now on the horizon is Spot Image, a French group that is supported by the government. That company has declared that it will abide completely by "open skies."

Reaction abroad to the U.S. move has generally been negative. "As someone put it, my teeth nearly fell right out of my mouth" in amazement, said Murray Strome, an official of the Canada Center for Remote Sensing.

A General Accounting Office report requested by Representative Jack Brooks, Democrat of Texas, has found that several other countries are strongly critical of the new policy, according to congressional aides.

Representative James H. Scheuer, Democrat of New York, also said that many countries have expressed serious concern.

"The United States has gone to great difficulty to assure countries, especially underdeveloped countries and many of them our strong allies, that the data is freely and openly to be used," Mr. Scheuer said.

"They have a very legitimate fear... that if satellites are to operate without restrictions, it becomes the robber baron concept of space spying, with the higher bidder having access to their own resources when they themselves do not," he said.

As an example, he cited Nigeria, a country that may have undiscovered oil resources. If a corporation could get exclusive satellite information about Nigerian oil, it could use the satellite data "just like a secret geological report to negotiate a favorable deal," he said.

Mr. Scheuer also said that if the policy were allowed to go ahead unchecked, it would create "a very strong international backlash" and "have a very detrimental effect on our international relations."

The Canadians, British, and Indians have already raised serious questions, and other countries such as Thailand and Nigeria may feel threatened by the policy, Mr. Scheuer said.

The State Department action came as the Reagan administration prepared to sell U.S. land and weather satellites to private companies. The department determined that it would not require any private company to abide by the open skies policy.

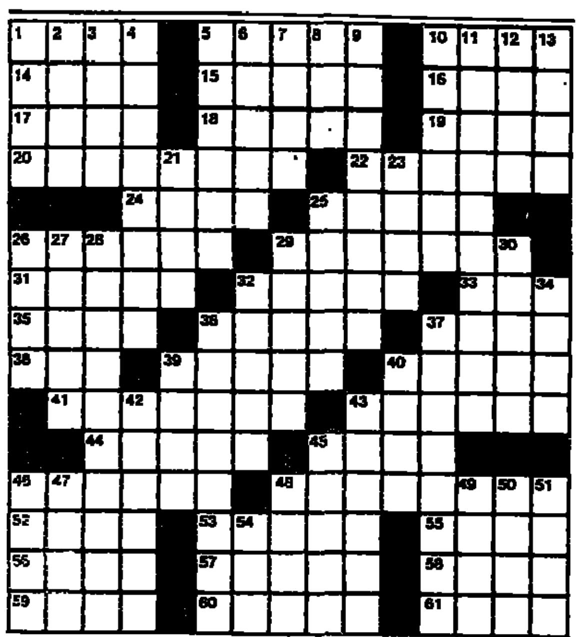
Wednesday's AMEX Closing

Vol. at 4 p.m. [illegible]
Prev. 4 p.m. Vol. [illegible]
Prev. Consolidated Close [illegible]

Tables include the nationwide prices up to the closing on Wall Street

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
[illegible]										
D										
4½	2⅝	DWG	.35t	8.5	3	23	4¼	4⅛	4⅛	— ⅛
17	9⅝	DaleEn	.32	2.1	11	28	15¾	15⅛	15⅛	— ⅛
9	3⅝	Damon			20	2	7½	7⅜	7⅜	+ ⅛
12½	6⅛	Damson			19	35	10⅝	10⅛	10⅛	— ¼
7½	2⅝	Dam wtO				1	4⅝	4⅝	4⅝	— ⅛
31½	24½	Dams pf	3.75	12.2		2	30¾	30⅝	30⅝	+ ¼
30⅝	10⅝	DatPd s	.16	.5	38	1162	29¾	28½	29¼	+1
12⅛	3⅝	DeRose			21	17	8⅝	8⅝	8⅝	+ ¼
6⅝	1⅞	Decorat			192	5	5⅜	5⅜	5⅜	— ⅛
[illegible]										
L										
9¾	2	LaPnt				19	5⅛	5	5	
47½	16¼	LakeS g				38	37⅜	36	36	—1¾
16¼	5¾	Lmour s	.18	1.1	19	53	16	15	16	+1
30½	14⅝	Lndmk			48	7	27⅛	27⅛	27⅛	+ ⅛
31⅛	6⅝	Laser			73	39	17	16⅝	16⅝	
4⅝	2	LeePh				10	2⅝	2⅝	2⅝	+ ⅛
39½	17¾	Lehigh			50	6	33	32⅝	32⅝	— ⅝
9⅝	2	LeisurT			275	16	8¼	8	8¼	+ ¼
8	3¼	Litfld	.061			7	4¼	4⅛	4⅛	
10¼	1	LloydE			16	29	4⅝	4½	4½	— ¼
6½	3	Lodge				24	4¾	4¾	4¾	
[illegible]										
S										
19⅞	5½	Schrad	.20	1.7	8	31	12	11¾	12	
12⅝	8	Schwab	.40	3.6	11	5	11¼	11¼	11¼	+ ¼
31⅞	3⅞	SciMgt	.10	.5		272	18⅝	17⅞	18¼	+1
37	10⅝	SciLsa			22	8	29⅞	29	29	— ⅞
41⅞	23¼	Scope	.25	.6	3	5	41	41	41	— ⅛
39½	24⅝	SbdCp	.50	1.3	12	1	37¾	37⅝	37⅝	— ¼
3⅞	⅞	Seaport			125	20	2½	2½	2½	
14⅝	6	SecCap			8	52	10⅝	10½	10½	— ⅛
9⅝	3⅝	SeisPro			32	43	6⅝	6⅝	6⅝	— ⅛
10	3⅝	SeisDlt				14	6⅛	6	6	— ⅛
7¼	2⅞	Selas				8	5⅞	5¾	5¾	— ¼
[illegible]										
19¾	13½	StorEq n	1.68	10.0	20	32	16⅝	16¾	16¾	+ ⅛
7¼	2⅝	StrutW				74	4½	4¼	4½	
11⅞	5⅜	SumitE			122	17	9⅞	9¾	9¾	— ¼
7½	2½	SunCty s			9	16	5⅞	5⅜	5⅜	— ⅜
14½	4⅝	Sunair s	.22	1.8	18	78	12½	12⅛	12⅛	— ¼
9⅝	4⅝	Sundnc				57	7⅛	7	7	— ⅛
14½	7⅝	SunJr	.48	3.8	12	10	12⅝	12½	12⅝	
31½	9½	SupFd s	.36	1.2	28	11	31¼	30⅞	31	+ ⅛
7¾	1⅜	SupCre				91	4⅞	4¾	4⅞	
17¾	3⅝	Supind	1.51t	9.4	15	402	16¼	15½	16	— ⅜
14⅝	7	SuprSr	.24	2.0	14	10	12	11¾	12	+ ⅛
8½	3½	Susqueh			11	31	5⅛	5	5	+ ⅛
37¾	19⅝	Swiftln	1.04e	3.5	7	20	29⅞	29⅞	29⅞	+ ⅛
9¼	3⅞	Synaloy				7	6⅞	6⅞	6⅞	— ⅜
13⅝	9	SystEn	.10	.9	142	1	11⅜	11⅜	11⅜	— ⅛
13½	3⅜	SysPln				48	9⅝	9¼	9⅝	
T										
17¼	7¼	T Bar	.57t	5.6		23	10½	10⅛	10⅛	— ⅜
11⅜	5⅜	TEC	.04t			58	8	7⅞	7⅞	+ ½
40⅝	10⅛	TIE s			39	607	38⅝	38	38⅛	— ⅝
24	8¼	TII	2.80t	10.3		26	19¾	19⅛	19⅛	+ ⅛
29¾	10	TabPr s	.20	.8	16	54	24¾	24¼	24⅝	— ⅜
15¾	7	Tasty	.25e	1.9	15	17	13	12⅞	12⅞	— ⅛
10½	4⅞	TchAm			108	72	6¾	6½	6½	— ⅛
27½	11⅞	TchSym			25	83	22⅛	22	22⅛	+ ⅛
41½	15⅝	TechOp			19	8	36⅝	35⅝	35⅝	— ¾
13⅞	3¾	TechTP			14	126	10	9⅝	9⅝	— ⅜
23⅞	8⅛	Tcham s			64	209	16	15⅝	16	+ ⅜
[illegible]										
U										
[illegible]										
7⅜	5⅜	Unimax pt				3	7⅜	7⅜	7⅜	— ¼
24⅝	13½	UArPd s	.52	2.8	11	21	18¼	18¼	18¼	— ¼
36⅝	27⅝	UnCosF	1.00b	2.8	10	3	36	35⅝	36	
11¼	2⅝	UnFood	.20	2.4	9	103	8⅝	8⅝	8½	
22¼	8⅝	UMed	.77t	4.7	24	13	16½	16⅝	16½	
25	7⅝	USAG wt				59	14⅝	14⅝	14⅝	— ⅛
13½	9½	Unitel n			14	56	10½	10⅝	10⅝	
17¾	4¾	UnityB			10	11	17	16⅝	16⅝	
15⅝	10	UnvCla	.32e	2.3	9	1	13⅝	13⅝	13⅝	
9⅝	5	UnivRs				253	8½	8	8¼	
27½	7⅝	UnivRu	.40e	1.8	9	3	22	21⅞	22	— ⅛
V										
15⅝	13⅝	VallyR	1.60	10.8	9	7	14⅝	14⅝	14⅝	+ ⅛
24⅝	13⅝	Valmac	.25t		15	6	22⅛	22⅛	22⅛	
39⅞	13½	Valspar	.68	1.8	11	2	37⅞	37⅛	37⅛	— ⅛
29½	7⅝	Vrbtm s			44	307	29	28⅛	28⅝	— ⅜
7	1½	Verit			16	17	4⅝	4⅝	4⅝	+ ⅛
21⅝	11⅛	VIAmC	.36b	1.8	10	5	19¾	19¾	19¾	— ⅛
20¼	8⅝	VtRsh	.15e	1.4		7	10½	10⅝	10½	+ ¼
18⅝	10	Vernit	.12	.8	15	162	14½	14¼	14¼	— ⅛
9¼	2⅝	Vertple	.05	.8	19	5	6	6	6	
11½	4	Viatech			21	14	6¾	6¾	6¾	
12⅝	4⅝	Vicon s			24	7	10⅝	10⅝	10⅞	+ ⅛
15⅝	3¾	Vintge			21	27	10⅝	10⅜	10⅝	+ ¼
15⅞	5⅝	Virco	1.11t	8.3	9	4	13⅜	13⅜	13⅜	+ ⅛
[illegible]										
W										
[illegible]										
Y										
[illegible]										
Z										
24⅝	7⅝	Zimer s	.10	.6	27	329	18¼	17	17⅞	— ⅛

CROSSWORD



ACROSS

1 Speed
5 Deeply bitter
10 Abbr. on an invitation
14 "The More —— of You," 1945 song
15 Game animal
16 Willow
17 Dress
18 Confirmation
19 Ledge along the edge of a road
20 Conveying impulses toward a nerve center
22 People born on Sept. 29, e.g.
24 British conservative
25 The man with the hod
26 Clever
29 Following
31 Multitude on the move
32 Wins a chess match
33 Bill
35 A Great Lake
36 Abetted
37 Roman statesman
38 Shea player
39 "—— Is Born"
40 Baum's "Grand ——"
41 Pack animal
43 Abate
44 Bowler Mark and author Philip
45 —— Alto
46 Approbation
48 Streetlight support
52 Cloy
53 Requirements
55 Hawaii's —— grass
56 Author Schopfer's pen name
57 Rhone feeder
58 Glacial ridges
59 Neat
60 Roman goddess of agriculture
61 Fictional captain

DOWN

1 Capital of Latvia
2 Gen. Gabriel's command
3 Gurth, in "Ivanhoe"
4 Lethargy
5 Unit of electricity
6 Trite
7 Origin
8 Equal: Comb. form
9 Like a flat tire
10 Hair ornament
11 Sneeze
12 Miles from Okla.
13 Jacks of clubs
21 Mere memory
23 "Whatever —— right": Pope
25 Poet's consideration
26 Attention getter
27 Abrasions
28 Pulverized
29 Detection device
30 Ingested
32 Acarids
34 Nut's partner
36 Weak
37 Inscription at the end of a book
39 Abodes: Abbr.
40 Cry of despair
42 About one-half
43 Egyptian king
45 San Diego ballplayer
46 H.S. exam
47 Hindu princess
48 Lascivious look
49 French river
50 Bridge contract
51 Bull, in Barcelona
54 Trenton-to-Lakewood dir.

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DENNIS THE MENACE

"IT'S HARD TO KEEP TRACK OF WHAT I'M BEING YELLED AT ABOUT."

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

PERIT

ELVOH

GOSTEO

FOUTTI

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers tomorrow)

Yesterday's Jumbles: DINER ORBIT CHOSEN GRASSY
Answer: How to get a big long fish into a small frying pan—USE SHORTENING

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Algarve	30	86	19	66	fr
Amsterdam	18	64	14	57	o
Athens	28	82	16	61	fr
Belgrade	22	72	7	45	fr
Berlin	20	68	12	54	o
Brussels	23	73	15	59	c
Bucharest	26	79	6	43	fr
Budapest	24	75	5	41	fr
Copenhagen	21	70	11	52	fr
Costa Del Sol	28	82	19	66	c
Dublin	20	68	13	55	o
Edinburgh	17	63	11	52	sh
Florence	30	86	13	55	fr
Frankfurt	24	75	9	48	c
Geneva	22	72	8	46	fr
Helsinki	13	55	5	41	c
Istanbul	25	77	13	55	fr
Las Palmas	34	93	28	82	fr
Lisbon	34	93	19	66	fr
London	19	66	15	59	o
Madrid	30	86	15	59	fr
Milan	26	79	10	50	fr
Moscow	18	64	7	45	o
Munich	20	68	3	38	fr
Nice	25	77	17	63	fr
Oslo	16	61	6	43	fr
Paris	25	77	9	48	fr
Prague	23	73	6	43	fr
Reykjavik	6	43	-1c	34	fr
Rome	28	82	20	68	r
Stockholm	19	66	5	41	fr
Venice	23	73	11	52	fr
Vienna	21	70	4	39	fr
Warsaw	20	68	11	52	fr
Zurich	20	68	7	45	fr

MIDDLE EAST

	HIGH C	HIGH F	LOW C	LOW F	
Ankara	23	73	0c	32	fr
Beirut	—	—	—	—	na
Damascus	31	88	15	59	fr
Jerusalem	27	81	17	63	fr
Tel Aviv	30	86	20	68	fr

OCEANIA

	HIGH C	HIGH F	LOW C	LOW F	
Auckland	16	61	11	52	sh
Sydney	25	77	15	59	fr

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	30	86	24	75	r
Beijing	23	73	13	55	fr
Hong Kong	30	86	25	77	sh
Manila	28	82	24	75	o
New Delhi	34	93	24	75	fr
Seoul	23	73	15	59	fr
Shanghai	27	81	21	70	fr
Singapore	28	82	25	77	o
Taipei	27	81	24	75	fr
Tokyo	20	68	15	59	r

AFRICA

	HIGH C	HIGH F	LOW C	LOW F	
Algiers	26	79	16	61	c
Cairo	26	79	19	66	fr
Cape Town	15	59	11	52	r
Casablanca	30	86	20	68	c
Harare	—	—	—	—	na
Nairobi	28	82	11	52	fr
Tunis	24	75	16	61	c

LATIN AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Buenos Aires	18	64	11	52	o
Lima	20	68	17	63	o
Mexico City	22	72	15	59	r
Nassau	30	86	21	70	fr
Rio de Janeiro	27	81	19	67	c
São Paulo	27	81	18	64	fr

NORTH AMERICA

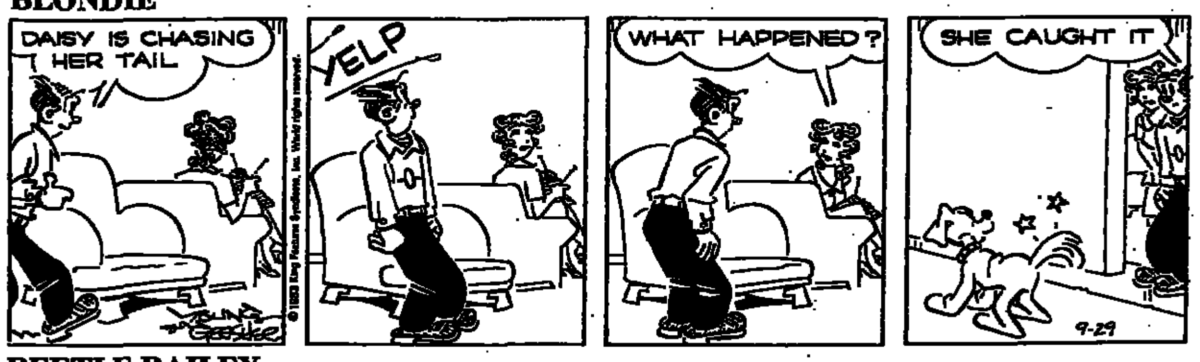
	HIGH C	HIGH F	LOW C	LOW F	
Anchorage	9	49	2	37	r
Boston	20	68	10	51	fr
Chicago	28	83	12	54	fr
Denver	29	85	13	55	fr
Detroit	26	79	8	47	fr
Honolulu	31	88	24	76	fr
Houston	29	85	20	68	pc
Los Angeles	25	78	19	67	pc
Miami	28	83	21	70	st
Minneapolis	27	81	15	60	pc
Montreal	22	72	13	56	fr
New York	26	79	13	55	fr
San Francisco	22	72	12	54	fr
Seattle	18	64	7	45	fr
Washington	26	80	7	45	fr

c—cloudy; fo—foggy; fr—fair; h—hail; o—overcast; pc—partly cloudy; r—rain; sh—showers, sn—snow, st—stormy

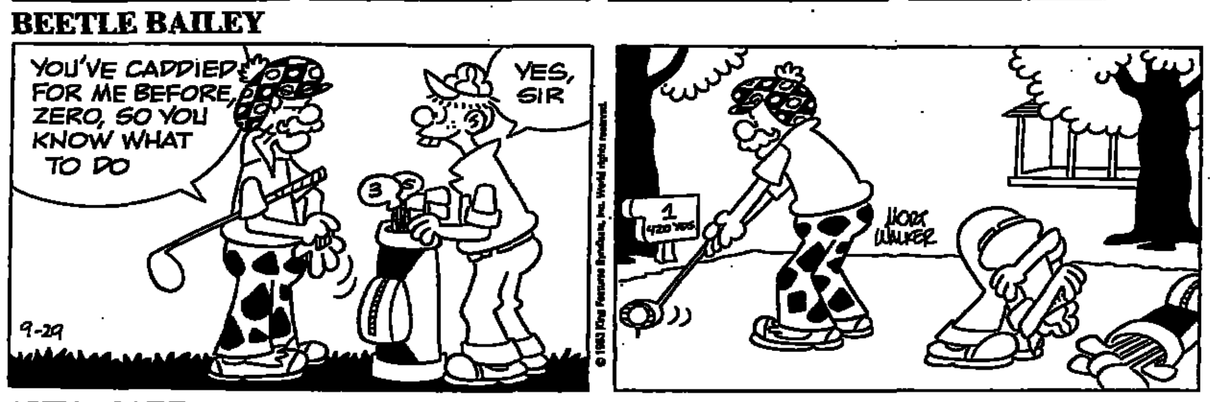
THURSDAY'S FORECAST — CHANNEL: Smooth. FRANKFURT: Foggy early, fair later. Temp. 25—10 (77—50). LONDON: Foggy early, cloudy later. Temp. 16—13 (61—56). MADRID: Partly cloudy. Temp. 31—13 (88—56). NEW YORK: Fair. Temp. 25—12 (78—54). PARIS: Foggy early, fair later. Temp. 25—9 (77—48). ROME: Thunderstorms. Temp. 28—19 (82—66). TEL AVIV: Fair. Temp. 31—18 (88—64). ZURICH: Foggy early, fair later. Temp. 24—6 (75—43). BANGKOK: Thunderstorms. Temp. 31—24 (88—75). HONG KONG: Showers. Temp. 33—27 (91—81). MANILA: Rain. Temp. 27—24 (81—75). SEOUL: Fair. Temp 23—19 (73—66). SINGAPORE: Showers. Temp. 32—26 (90—79). TOKYO: Rain Temp. 17—16 (63—61).

PEANUTS

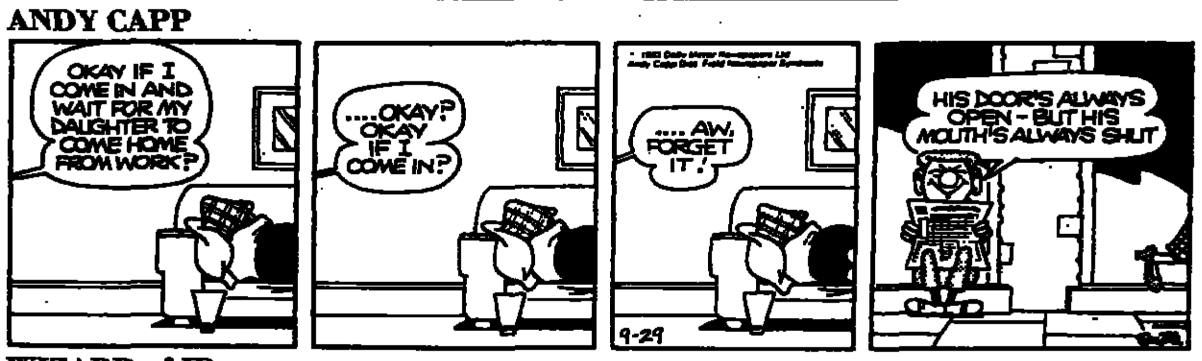
BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID

REX MORGAN

GARFIELD

Amsterdam / Brussels / Frankfurt / Hong Kong / Johannesburg / London / Other Markets / Milan / Paris / Singapore / Stockholm / Sydney / Tokyo / Zurich

Other Markets — Sept. 28 — Closing Prices in local currencies

Hong Kong (partial)

	Close	Prev.
	6.60	6.80
	11.60	12
	10	9.90
	33	34
	4.925	5
	21	21
	2.70	2.85
	6.85	7.05
	29.10	29
	3.125	3.275
	9.90	10.40
	10	10.40
	N.A.	6.80
	2.325	2.425
	N.Q.	—
	4.75	4.925

London (partial)

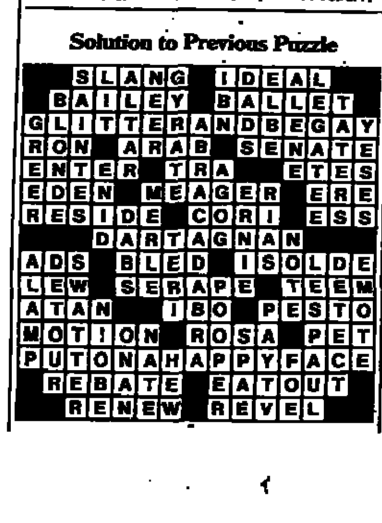
	Close	Prev.
Barclays BK	4.69	4.72
Bass	3.25	3.20
BAT Ind.	1.50	1.46
Beecham Gp	3.18	3.18
BICC	2.33	2.33
BL	0.64	0.68
BOC Int'l	2.22	2.21
Boots	1.56	1.57
Bowater	1.93	2
BP	4.40	4.40
Brit.Home SL	2.20	2.20
BTR	5.47	5.44
Burmah	1.70	1.67
Cadbury Sc.	1	0.99
Charter Gold	2.48	2.48
Coats Patons	0.71½	0.72
Cons. Gold Fds	5.72	5.71
Courtaulds	0.97	0.97
Dalgety	3.98	4
De Beers	9	8.92

Tokyo

	Close	Prev.
Southland	0.31	0.32
Woodside Pet	1.41	1.45
Wormald	3	3.05

All ordinaries index: 714.40
Previous: 718.70

Solution to Previous Puzzle



W. German Money Reserves

Reuters

FRANKFURT — West German currency reserves rose 400 million Deutsche marks ($151 million) to 66.7 billion DM in the third week of September, after remaining virtually unchanged in the second week, the Bundesbank said Wednesday. Non-currency reserves were unchanged at 2.5 billion DM, bringing net monetary reserves to 69.2 billion DM.

Canadian Indexes — Sept. 28

	Noon	Previous
Montreal	464.23	464.96
Toronto	2,573.90	2,579.80

Canadian Stock Markets — Sept. 27

Prices in Canadian cents unless marked $

Toronto

Montreal

BOOKS

THE TRAGEDY OF LEBANON

By Jonathan C. Randal. 304 pp. £9.95 (Paperback, £4.95).
Chatto and Windus, 40 William IV St., London WC2.
(U.S. edition published by Viking, 40 West 23d St., New York, N.Y. 10010, under the title "Going All the Way: Christian Warlords, Israeli Adventurers and the War in Lebanon," price $16.75.)

Reviewed by Joseph Fitchett

FOR those who knew Lebanon before it collapsed in multi-sided civil war eight years ago, it was a raffish Middle Eastern watering hole, a useful public convenience for Arabs and Westerners alike. Lebanon was a business, not a nation, and journalists and diplomats got by there with a checkbook, not a policy. Long after it became a killing ground, it was hard to imagine this supremely Levantine oddity could suck the United States and Israel, the Soviet Union, Arab states and European power into a major imbroglio.

To try to make sense of how it happened, Jonathan Randal, The Washington Post's senior foreign correspondent, has retraced the civil war waged by Lebanon's dominant minority, the Maronite Christians. He tersely evokes their reckless, often self-destructive excesses, and portrays the tribal fears and rivalries of the Maronite clan leaders, "everyone of them always ready to set his country on fire to light his cigarette." Randal has been reporting on the travail of ex-colonial countries writhing off imported civility for the last 20 years, many of them in the Middle East. Few Western correspondents have spent as much time in Lebanon.

"The Tragedy of Lebanon" is often disconcerting, sometimes disappointing. Some of its findings are controversial, in particular the cavalier way in which Israel apparently has flouted U.S. law to experiment with sophisticated U.S.-made weapons in Lebanon. And the book's journalistic virtues — vivid reportage and seasoned political sense — are also the source of its weaknesses. Hasty writing often obscures the broad outline of events, and crisp judgments on people are not matched with sharp definitions of his themes. For example, he only evokes indirectly the dilemma still facing the Lebanese government today: whether Maronites want a state in which they have a guaranteed place or whether they seek a state with guaranteed Maronite control.

Randal's gift for detail often obscures his salient points — a pity, because this closely observed, witty account bears on important lessons: a determined minority's ability to influence world events, the ambiguities of Israel's behavior in the Middle East, and, perhaps most important, the fitfulness of U.S. policy. For perservering readers, "The Tragedy of Lebanon" is a timely, important case-study of all these issues.

By focussing on Maronite manuevers, Randal inevitably skimps on some aspects of the story, including the Palestinian and Syrian roles, but his treatment shows starkly how this national convulsion, of Byzantine local complexity, has dragged in bigger nations.

Randal contends that Maronite ambition, Israeli manipulation and U.S. neglect repeatedly spoiled possible solutions and brought new escalation, culminating in the Israeli invasion last year and the current stalemate of U.S. attempts to restore stability in Lebanon.

The Maronites, the only Christian sect of the East to resist assimilation and rely atavistically on Western intervention, behaved with blind arrogance toward the country's larger but weaker Moslem minorities. Randal traces the Maronites' refusal to share power back to their still vivid memories of massacres in the last century by Druze Moslems.

As the feudal Maronite leaders jockeyed among themselves and tried to convert their traditional authority into modern military and political control, they repeatedly redoubled the stakes with fresh violence, rejecting compromise on the chance that events would eventually turn in their favor.

The most brazen gambler of all, Beshir Gemayal, almost won, finally attaining the presidency last year. The Israel invasion and the ouster of Palestinian fighters from Beirut enabled him to try distancing himself from his former ally, Israel, and mending fences with his Moslem enemies. His assassination probably dashed the Maronites' last chance of restoring national unity, Randal writes. No other Maronite leader, including his older brother, President Amin Gemayal, seems to have enough authority to sell compromise to his followers.

Israel, while ostensibly seeking to eliminate the guérilla threat in Lebanon, had a hidden agenda, Randal writes. Its leaders, at different times, had their eye on securing part of south Lebanon, installing a Lebanese government allied with Israel, humbling Syria and perhaps even seeing Lebanon collapse and trigger a chain reaction in which neighboring Arab states crumbled into weak Christian and Moslem statelets.

Initially, Israel played off Lebanese factions against each other with covert aid, then in 1982 resorted to full-scale invasion — an "adventure," Randal says, that has divided Israeli opinion and sullied Israel's moral image.

If Israel erred by meddling, the United States blundered by omission. Chastened by Vietnam and Watergate, U.S. policy-makers in the mid-'70s were indifferent to developments in Lebanon. U.S. emissaries were unconvincing in their warnings to the Maronites that they could not expect U.S. support, and the United States did nothing to stop those two deadly Middle East foes, Israel and Syria, from carving up Lebanon.

President Carter reacted vigorously in 1978, rolling back the first Israeli invasion with a threat to cut U.S. aid. But U.S. determination proved fitful, so overall it was ineffectual. In the Reagan administation, Secretary of State Alexander Haig supported last summer's full-scale Israeli drive on Beirut — a policy reversed in favor of mediation by his successor George Shultz. "But even in 1982, Israel and the viscosity of Lebanon got the better of a United States government momentarily determined to straighten out the mess in Beirut," Randal writes.

Although Israel's invasion created diplomatic opportunities for a U.S.-led settlement, U.S. inattention quickly set in, allowing Syria — with strengthened Soviet support — its present dream of turning Lebanon's tragedy to Syrian advantage at home and in the Arab world.

The tragedy of Lebanon has not yet claimed its last victims.

Joseph Fitchett is an IHT correspondent who covered the initial phases of Lebanon's Civil War.

BRIDGE

By Alan Truscott

ON the diagramed deal, North-South followed the route shown to seven spades. After a slow start South eventually located an ace in the North hand and invited the grand slam with a cue-bid of six diamonds.

North decided that his spade queen must be the card that was needed, as indeed it would have been if South had held 5-1-1-6 distribution.

South was hoping to find four trumps in dummy, which the three-spade raise had suggested. As it was, there were only 12 tricks in view even if the clubs could be run without loss. But South found a way to conjure up a 13th, which is not obvious even looking at the whole deal.

He won the heart king lead, and led the club ten to the ace, an important unblocking move. Then he cashed the spade ace and led to the queen.

He now had to hope that East had begun with exactly three spades and J-x-x-x of clubs, not too unlikely since West's overcall had marked him with diamond length.

The club nine was finessed, and two more club winners provided diamond discards from dummy. That set up a diamond ruff in dummy to dispose of the loser in the closed hand, and a heart ruff allowed the last trump to be drawn.

NORTH (D)
♠Q93
♡A9762
♢764
♣103

WEST
♠82
♡KQJ
♢K98532
♣86

EAST
♠J54
♡10843
♢Q10
♣J742

SOUTH
♠AK1076
♡5
♢AJ
♣AKQ95

East and West were vulnerable. The bidding:

North	East	South	West
Pass	Pass	1♣	1♢
1♡	Pass	2♠	Pass
3♠	Pass	4N.T.	Pass
5♢	Pass	6♢	Pass
7♠	Pass	Pass	Pass

West led the heart king.

SPORTS

'Ugly' White Sox Are Sitting Pretty

By Thomas Boswell
Washington Post Service

CHICAGO — In the owner's mezzanine box at Comiskey Park, Chicago White Sox President Eddie Einhorn sat with a lapful of telegrams. Slowly, he opened each one and digested the best wishes for his team's divisional championship.

Every minute or two, the phone next to him rang, and Einhorn said "thank you" in a dozen different ways. Somehow he never missed a play on the field, keeping his scorecard as earnestly as if it were a religious layman. A fan asked Einhorn to autograph the front page of The Chicago Tribune — which owns the rival Chicago Cubs. The headline said, "Sox Toast of Chicago."

Suddenly, Harold Baines broke for second base and then, as the Minnesota catcher threw to second, Baines stopped dead in his tracks. Before the second baseman could recognize the ruse and throw home, Tom Paciorek had slid across the plate with a delayed double steal, one of the prettiest plays in baseball.

"Now that's ugly," said a beaming Einhorn. "Very ugly."

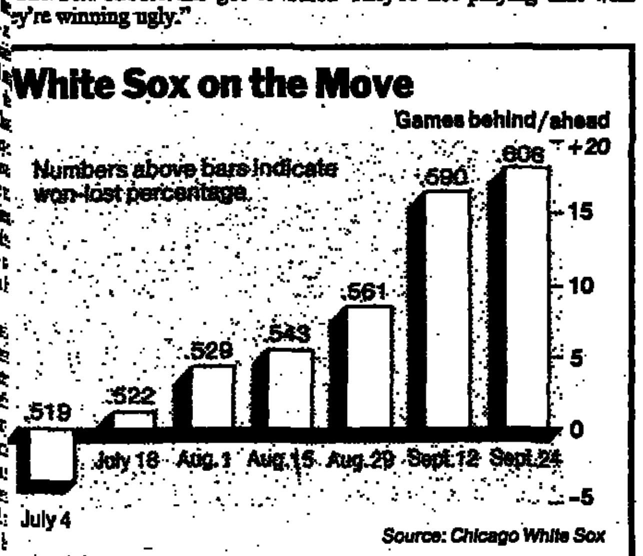
A couple of innings later, White Sox rookie Ron Kittle ("I swing at everything — that way they don't know how to pitch me") unloaded a home run that landed on the Comiskey Park roof in the left-field corner.

"Oh, a roofer — another roofer," reveled Einhorn. "That's even uglier."

In the 73-year history of the oldest park in the major leagues, it was only the 25th ball ever hit on the roof. Kittle's done it twice this season and teammate Greg Luzinski three times. That's a generation of roofers in a year.

How appropriate, because the White Sox have provided Chicago with a generation's worth of victory and pleasure this summer. No Chicago baseball team has won any sort of title since the 1959 White Sox and this town hasn't had a World Series winner in 66 years. Everywhere you look, *from the owner's box to the manager's office to the playing field, it is a town* swept away in an ecstasy of vindication.

In mid-August, manifesting a spectacular case of baseball cleat-in-mouth disease, Texas Manager Doug Rader was quoted as saying: "The Sox bubble has got to burst. They're not playing that well. They're winning ugly."



Since then, the ugly White Sox have blown the American League West race to smithereens. Chicago's 95-62 record is the second best in the majors and its eventual division winning margin may be more than 20 games.

The Windy City is awash in posters, signs and T-shirts with variations on the theme, "Winnin' Ugly Is the Miracle on 35th Street." After the recent pennant-clinching victory, the town declared a day of joy and went Rush Street berserk.

Every statistic reveals just how ugly the suddenly mighty White Sox have become. Since the June 15 trading deadline, Chicago's record is 69-30. Back then, with the team 5½ games behind California, Einhorn admitted that firing LaRussa was a possibility. Now LaRussa could run for mayor and might win without a single dead man's vote.

At the moment, the Sox are the highest-scoring team in baseball. Kittle, with 34, and Luzinski, with 30, are among the major-league leaders in home runs. Their big three pitchers, LaMarr Hoyt (23-10), Richard Dotson (20-7) and Floyd Bannister (15-10), have a dazzling record of 37-5 since the All-Star break.

As if hitting and pitching weren't enough, the Sox have baseball's best pair of speedsters in Rudy Law and Julio Cruz, with 75 and 55 stolen bases, respectively.

It's hard to believe this is really the same season that:

- Paciorek said, "This ain't exactly the '27 Yankees. I want out." Then, speaking of LaRussa, he added, "What makes him think he can manage a major-league club?"
- Catcher Carlton Fisk and LaRussa had such a blowup that last week Fisk said again, "I was left for dead [in June]. To hear everybody, I couldn't throw, hit, run. I couldn't call a game. It was like 'Johnny Bench is 35 and he has to retire, so why don't you?' They had a meeting to decide what to do about me, maybe even buy out my contract. I'm told [Coach] Charlie Lau stuck up for me. Tony's paid to make those decisions about who plays and who's washed up. But I don't have to accept it or like it. . . . When we started playing well was when he left us alone — when you win, things all get swept under the rug."
- The team made 34 errors in 26 games. Fisk was hitting .171 late in May and Luzinski was in a 1-for-34 slump. Dotson lost a one-hitter. Former White Sox broadcasters Harry Caray and Jimmy Piersall had a field day lambasting and satirizing a high-paid, free-agent-filled lineup.

Those bad old days are almost inconceivable. Paciorek has recanted: "I regret everything I said. I made a complete fool of myself." Now, he says, "We have the best group of guys I've ever been associated with."

Of Fisk, who has had spectacular success since batting in the No. 2 spot, LaRussa now says, "Fisk is our MVP."

Franchise Chairman Jerry Reinsdorf, who has a checkered history of inflammatory quotes after attending team parties, said on the radio during the pennant-clinching shindig that Piersall and Caray were "the scum of the earth."

Earlier this year, Reinsdorf was fined by Commissioner Bowie Kuhn for saying, "I know how to tell when George Steinbrenner is lying — his lips move." This time, Reinsdorf half-apologized, saying he was sorry about the word "scum" but that the thought behind it remained the same.

Even Einhorn can't resist the opportunity to use his championship as a platform to settle a few old scores. He and former owner Bill Veeck have been spatting again of late. Veeck thinks Einhorn and partner Reinsdorf are wet-behind-the-ears rich kids, while Einhorn thinks Veeck ran the White Sox as a self-aggrandizing circus with Veeck as central attraction.

Expenditures of $14 million on park renovation and a similar amount on payroll increases look like smart moves. Comiskey Park is a delight, and an attendance record has been set. Of a record streak of 17 consecutive home victories, Einhorn said: "We've been sendin' 'em out of here with their tails between their legs."

Expensive veterans like Luzinski, Fisk, Bannister and Paciorek have paid off. The turn-up-the-rock-'n'-roll clubhouse style of LaRussa, a part-time lawyer, has matched the team's personnel.

"What is a 'loose team'?" asks LaRussa. "Jeez, you've gotta have fun to get through 162 games. But you can bet we're not loose at 7:30 P.M."

The White Sox have nothing on their contented minds these days except remaining patient until the playoffs, when they'll meet Baltimore.

"Teams that are in the playoffs for the first times sometimes don't do well. That worries me," says Einhorn. "An incredible season can go down the drain in a few days. I don't like that, emotionally. Not after what we went through for six months. You're always concerned that you might tighten up."

But that's not really what the Sox think will happen. Not after the way they've demolished their foes for two months, not with steals of home and roofers and three starters on an incredible tear.

"There'll be much more intensity in this playoff than in the World Series," predicts Einhorn. "We have the two best records in baseball. Both teams are healthy and red-hot. We're ready to go."

The Associated Press

Carlton Fisk
'. . . When you win, things all get swept under the rug.'

Morris Wins 20th Game As Tigers Down Orioles

United Press International

BALTIMORE — Jack Morris pitched a six-hitter to win his 20th game of the year as Detroit defeated Baltimore, 9-2, here Tuesday night. Morris is the only pitcher to have beaten every other team in the American League this season.

While walking four and striking out nine, Morris boosted his record to 20-12 and became the first Tiger pitcher since Joe Coleman, in 1973, to win 20 games. The strikeouts increased Morris's league-leading total to 230.

His chief opponent for the Cy Young Award will be Chicago's LaMarr Hoyt, whose 23-10 record tops the league. "If you go by numbers, I have as good a chance as anybody," Morris said. "Traditionally, though, you go by the winning club, and in this case that would have to be LaMarr." Chicago is the league's western division champion.

BASEBALL ROUNDUP

Lance Parrish paced Detroit's offense by driving in four runs, two of them with his 27th home run of the season. John Lowenstein hit his 15th homer for the losers.

Baltimore, which has clinched the title in the league's eastern division, dropped only its fifth game in its last 19 starts.

Yankees 7, Red Sox 2

In New York, Don Baylor hit a two-run home run and Dave Winfield had his 21st game-winning RBI of the season to spark the Yankees' 7-2 decision over Boston. Matt Keough, making his first appearance since Aug. 23, won his fifth game in 12 decisions. Bruce Hurst dropped to 12-12.

Rangers 6, Twins 1

In Minneapolis, Buddy Bell hit his 14th homer of the year and Billy Sample had three singles and two RBIs as Texas downed Minnesota, 6-1. Mike Smithson (10-14) posted his 10th complete game of 1983.

Brewers 8, Indians 4

In Milwaukee, Cecil Cooper drove in three runs with his 28th home run and a single and Mike Caldwell (12-11) went the distance to highlight the Brewers' 8-4 defeat of Cleveland.

Angels 7, Blue Jays 1

In Anaheim, California, rookie Gary Pettis had four hits, including an inside-the-park homer, and Ellis Valentine hit a three-run home run as California ended a five-game losing streak with a 7-1 mauling of Toronto.

Mariners 4, Royals 0

In Seattle, Jim Beattie gave up only one hit, a clean third-inning single by U.L. Washington, as the Mariners defeated Kansas City, 4-0. Washington was the only batter to reach base against Beattie (10-7); his was the best performance by a Seattle pitcher in the club's seven-year history. Dave Henderson went 3-for-4, including a triple and a homer.

A's 5, White Sox 4

In Oakland, Calif., Rick Peters delivered a bases-loaded single in the ninth to give the A's a 5-4 victory over Chicago. With one out Jeff Burroughs walked and was replaced by pinch runner Rusty McNealy. Wayne Gross singled before Mike Davis reached base when second baseman Julio Cruz blew an easy doubleplay grounder. Peters then lined a shot off third baseman Aurelio Rodriguez's glove.

Expos 10, Cardinals 4

In the National League, in St. Louis, Tim Raines batted in four runs and stole a base to become the first National Leaguer ever to record at least 70 RBIs and 70 stolen bases in the same season in helping Montreal down the Cardinals, 10-4. Raines had three hits, including a home run and a triple, and has 71 RBIs and 86 stolen bases. He is the first 70/70 player since Ty Cobb accomplished the feat for the 1915 Detroit Tigers.

Dodgers 7, Reds 4

In Cincinnati, Pedro Guerrero drove in three runs with a homer and a sacrifice fly to lead Los Angeles to a 7-4 victory over the Reds.

Giants 6, Braves 2

In Atlanta, pinch hitter Tom O'Malley's two-run single in the seventh sparked San Francisco's 6-2 triumph over the Braves. Rookie Mark Davis (5-4) went six innings, allowing three hits and two runs, to gain the victory. Greg Minton, who also hit a two-run home run, shut out Atlanta over the final three innings for his 21st save.

Cubs 3, Phillies 0

In Chicago, the Cubs' 3-0 victory broke Philadelphia's 11-game winning streak, the major leagues' longest this season. Ron Cey hit a two-run homer and winner Steve Trout (10-14), who took over when starter Rick Reuschel was injured in the third, went five scoreless innings. Lee Smith came on in the eighth and earned his league-leading 29th save.

Mets 4, Pirates 3

In Pittsburgh, Brian Giles had a two-run single and George Foster broke a fifth-inning tie with a sacrifice fly to lead New York past the Pirates, 4-3.

Astros 8, Padres 5

In Houston, Jerry Mumphrey drove in four runs with a home run and three singles and Bob Knepper pitched five innings of shutout relief to lead the Astros to an 8-5 decision over San Diego.

Cedeno Captures WBC Crown

The Associated Press

WEMBLEY, England — Frank Cedeno of the Philippines stopped defending champion Charlie Magri of Britain in the sixth round Tuesday night to win the World Boxing Council flyweight title.

The 25-year-old challenger knocked Magri down three times in the sixth. Magri took the mandatory eight count each time, and referee Angelo Poletti of Italy stopped the fight at 2 minutes, 33 seconds of the round.

Magri, making his first defense of the title he won last March from Eleoncio Mercedes of the Dominican Republic, had slightly the better of the first five rounds, which were fought at a furious pace.

But the gritty Cedeno took everything thrown at him and retaliated with fiery counterpunches.

Beaten in the two fights immediately prior to defeating Mercedes, Magri clearly chose the wrong tactics as he hurried to finish off Cedeno in the opening rounds. He did so much too soon and had little left when the challenger finally struck.

Early in the sixth, Cedeno ended a flurry with a left uppercut that floored the 28-year-old Briton. Two more knockdowns and the fight was over.

Afterward, a jubilant Cedeno told reporters through an interpreter: "Charlie punches very strong, but I am used to hard punching because I spar with bantamweights and featherweights.

"The Philippines have had several champions, but we had none right now, and I was hungry for the title."

It was the 10th straight time that the WBC flyweight title has changed hands at the first attempt.

The victory brought Cedeno's record to 35 wins, 4 defeats and 2 draws. It was Magri's third defeat in 31 contests.

Cedeno weighed 110½ and Magri 111¼.

United Press International

Frank Cedeno looks on after flooring Charlie Magri for the third time in the sixth round of Tuesday's WBC title fight.

Baseball Leaders

AMERICAN LEAGUE

	G	AB	R	H	Pct.
Boggs, Bos.	150	565	97	206	.365
Carew, Cal.	126	463	65	158	.341
Whitaker, Det.	153	621	91	200	.322
Trammell, Det.	135	483	76	153	.317
Moseby, Tor.	148	529	103	167	.316
Ripken, Bal.	156	640	116	202	.316
McRae, K.C.	152	580	84	181	.312
Simmons, Mil.	150	587	74	183	.312
Griffey, N.Y.	114	441	60	137	.311
Baylor, N.Y.	139	520	81	160	.308
Upshaw, Tor.	156	565	98	174	.308

Home Runs

Rice, Boston, 37; Armas, Boston, 36; Kittle, Chicago, 34; E.Murray, Baltimore, 32; Winfield, New York, 31; Luzinski, Chicago, 30; Cooper, Milwaukee, 28; 4 tied with 27.

Runs Batted In

Rice, Boston, 121; Cooper, Milwaukee, 120; L.N.Parrish, Detroit, 112; Winfield, New York, 112; E.Murray, Baltimore, 107; Simmons, Milwaukee, 107; Armas, Boston, 105; Upshaw, Toronto, 103.

Pitching

Haas, Milwaukee, 13-3, .813; Flanagan, Baltimore, 12-3, .800; Dotson, Chicago, 20-7, .741; McGregor, Baltimore, 18-7, .720; Gossage, New York, 12-5, .706; Hoyt, Chicago, 23-10, .697; Guidry, New York, 20-9, .690; Kison, California, 11-5, .688.

NATIONAL LEAGUE

	G	AB	R	H	Pct.
Madlock, Pit.	126	469	67	153	.326
Cruz, Hou.	155	570	86	184	.323
Lo. Smith, St.L.	126	480	79	154	.321
Hendrick, St.L.	141	519	69	162	.312
Murphy, Atl.	156	568	130	175	.308
Knight, Hou.	142	504	43	154	.306
Benedict, Atl.	132	415	42	126	.304
Dawson, Mon.	156	618	106	187	.303
Oliver, Mon.	156	610	70	184	.302
Moreland, Chi.	151	521	75	157	.301

Home Runs

Schmidt, Philadelphia, 39; Murphy, Atlanta, 35; Dawson, Montreal, 32; Guerrero, Los Angeles, 32; Evans, San Francisco, 29; Foster, New York, 27; Strawberry, New York, 25; Cey, Chicago, 24; J.Davis, Chicago, 24.

Runs Batted In

Murphy, Atlanta, 117; Dawson, Montreal, 112; Schmidt, Philadelphia, 107; Guerrero, Los Angeles, 102; T.Kennedy, San Diego, 95; Hendrick, St.Louis, 90; Cruz, Houston, 89; Cey, Chicago, 88.

Pitching

Denny, Philadelphia, 18-6, .750; McWilliams, Pittsburgh, 15-7, .682; M.Scott, Houston, 10-5, .667; Tunnell, Pittsburgh, 10-5, .667; Candelaria, Pittsburgh, 15-8, .652; Orosco, New York, 13-7, .650; P.Perez, Atlanta, 14-8, .636; McMurtry, Atlanta, 15-9, .625; Price, Cincinnati, 10-6, .625.

Tuesday's Baseball Line Scores

AMERICAN LEAGUE

Detroit	112 101 012—9	14 0
Baltimore	010 000 010—2	6 1

Morris and Parrish; McGregor, Stewart (5), Stoddard (8) and Nolan, Stefero (8). W—Morris, 20-12. L—McGregor, 18-7. HRs—Detroit, Parrish (27). Baltimore, Lowenstein (15).

Boston	010 001 000—2	10 0
New York	310 020 01x—7	12 1

Hurst, Clear (5) and Allenson; Keough, Frazier (7) and Cerone. W—Keough, 5-7. L—Hurst, 12-12. HR—New York, Baylor (21).

Texas	121 000 010—6	14 0
Minnesota	010 000 000—1	6 0

Smithson and Johnson; Williams, Walters (2), O'Connor (9) and Engle. W—Smithson, 10-14. L—Williams, 10-14. HR—Texas, Bell (14).

Cleveland	000 001 003—4	10 1
Milwaukee	520 001 00x—8	14 1

Sorensen, Jeffcoat (2) and Hassey; Caldwell and Schroeder. W—Caldwell, 12-11. L—Sorensen, 11-11. HR—Milwaukee, Cooper (28).

Toronto	000 001 000—1	5 0
California	410 101 00x—7	10 1

Leal, Cooper (4), Clarke (7) and Whitt, Petralli (5); McLaughlin, Curtis (7) and Boone. W—McLaughlin, 2-4. L—Leal, 13-12. HRs—Toronto, Upshaw (27). California, Pettis (3), Valentine (13), Boone (9), Schofield (3).

Kansas City	000 000 000—0	1 0
Seattle	000 010 30x—4	8 0

Gura, Armstrong (7) and Wathan; Beattie and Nelson. W—Beattie, 10-14. L—Gura, 11-18. HR—Seattle, Henderson (16).

Chicago	300 010 000—4	8 2
Oakland	020 101 001—5	12 1

Bannister, Barojas (6), Agosto (7), Tidrow (7), Hoffman (9) and Fisk; Codiroli, Underwood (7) and Heath. W—Underwood, 9-7. L—Tidrow, 2-4. HR—Chicago, Walker (10).

NATIONAL LEAGUE

Philadelphia	000 000 000—0	3 1
Chicago	020 000 01x—3	5 1

Carlton, Hernandez (8) and Diaz; Reuschel, Trout (3), Smith (8) and Davis. W—Trout, 10-14. L—Carlton, 15-16. HR—Chicago, Cey (24).

Los Angeles	112 200 010—7	8 2
Cincinnati	020 110 000—4	8 1

Honeycutt, Beckwith (5), Niedenfuer (8) and Fimple; Russell, Power (6), Hume (8) and Bilardello. W—Beckwith, 3-3. L—Russell, 4-4. HRs—Los Angeles, Guerrero (32), Fimple (2). Cincinnati, Cedeno (9), Bilardello (9).

New York	300 010 000—4	6 2
Pittsburgh	002 100 000—3	5 0

Torrez, Sisk (9) and Ortiz; Leon, Guante (7), Tekulve (9) and Pena. W—Torrez, 10-17. L—Leon, 7-3.

San Francisco	000 200 202—6	10 1
Atlanta	000 002 000—2	7 1

Davis, Minton (7) and Brenly; Barker, Bedrosian (7), Moore (7), Garber (9) and Benedict. W—Davis, 5-4. L—Bedrosian, 9-10. HRs—San Fran., Minton (1). Atlanta, Hubbard (12).

Montreal	430 000 012—10	16 1
St. Louis	102 000 100—4	12 2

Lea, James (7) and Carter; Stuper, LaPoint (2), Baker (3), Ciccolella (5), Von Ohlen (7), Keener (9) and Porter. W—Lea, 16-10. L—Stuper, 11-11. HRs—Montreal, Raines (11), Francona (3).

San Diego	110 300 000—5	7 1
Houston	301 400 00x—8	12 2

Lollar, Booker (4), Monge (6) and Gwosdz; Heathcock, Knepper (5) and Bjorkman. W—Knepper, 6-13. L—Lollar, 7-12. HR—Houston, Mumphrey (1).

Major League Standings

AMERICAN LEAGUE

EAST

	W	L	Pct.	GB
x-Baltimore	96	60	.615	—
Detroit	90	67	.573	6½
New York	88	68	.564	8
Toronto	86	72	.544	11
Milwaukee	83	74	.529	13½
Boston	75	82	.478	21½
Cleveland	68	89	.433	28½

WEST

	W	L	Pct.	GB
x-Chicago	95	62	.606	—
Kansas City	76	81	.484	19
Texas	76	81	.484	19
Oakland	72	85	.459	23
California	68	90	.430	27½
Minnesota	67	90	.427	28
Seattle	59	98	.376	36

(x-clinched division title)

NATIONAL LEAGUE

EAST

	W	L	Pct.	GB
Philadelphia	87	71	.551	—
Pittsburgh	82	75	.522	4½
Montreal	81	77	.513	6
St. Louis	76	82	.481	11
Chicago	71	87	.449	16
New York	64	93	.408	22½

WEST

	W	L	Pct.	GB
Los Angeles	90	67	.573	—
Atlanta	85	71	.545	4½
Houston	82	74	.526	7½
San Diego	77	80	.490	13
San Francisco	76	81	.484	14
Cincinnati	72	85	.459	18

USOC Chief Says Pan Am Events Were 'Thrown'

By Bart Barnes
Washington Post Service

WASHINGTON — Col. F. Don Miller, executive director of the United States Olympic Committee, said Tuesday he is convinced that some athletes deliberately performed poorly at last month's Pan American Games rather than face tests that could have detected the presence in their bodies of illegal drugs.

"You never can prove anything, but I saw it happen," he said in an interview. "I knew the caliber of certain athletes. I know very well what happened in my own heart. It's something that happens, and you know it happens and that's it."

Miller declined to say how many U.S. athletes he thinks may have deliberately lost in their events — other than to say "it was more than one." He said athletes from other countries had also turned in similar performances to avoid detection for using illegal drugs.

The International Olympic Committee has more than 100 drugs on its banned-substances list, and their use has become a major controversy in international sports. It was particularly acute at the Pan American Games, where 16 athletes were found to have illegal substances in their systems; additionally, 12 U.S. athletes withdrew from competition and left for home rather than face drug testing.

"What hurt me more than anything else, even the use of drugs, was to see them throw their contests so they would not be tested," Miller said. He said no disciplinary action is contemplated against the athletes involved and that they would be permitted to continue to represent the United States in international meets provided they stop using illegal substances.

Dr. Roy Bergman, chief physician for the U.S. team at the Pan Am Games, said the instances of athletes' deliberately losing to avoid drug detection was "more negative than taking the drugs. Taking the drugs is at least with the intent to win.

"It's just an anathema to the American way of life for anyone to lose intentionally," Bergman said.

In testimony Tuesday before the House Committee on Energy and Commerce's subcommittee on commerce, transportation and tourism, Miller said the USOC is acting immediately to eliminate use of illegal drugs by U.S. athletes.

Beginning within the next month, Miller told the subcommittee, U.S. Olympic prospects will be tested for the use of performance-enhancing drugs that are banned by the IOC. Athletes who test positively for the use of such drugs before the Olympic trials are over will be treated on a confidential, doctor-patient basis, Miller said.

But once the trials are complete, he warned, any athlete who tests positively for any of banned drug "will not be permitted to represent their country." He said testing could begin almost immediately for some Olympic teams, such as the hockey squad, which will be competing in Sarajevo, Yugoslavia, next winter.

In another Olympics-related matter, the president of the Los Angeles Olympic Organizing Committee rejected calls for excluding the Soviet Union from the 1984 Games, saying that such an action "is clearly not an option" of the host country.

LAOOC President Peter V. Ueberroth, in a statement after meetings with congressional leaders and White House aide Michael K. Deaver, said the Games were awarded to Los Angeles on the condition "that all eligible nations would be welcome in our country."

His comments followed petition drives on the West Coast and resolutions in the California legislature calling for the exclusion of the Russians from the 1984 Games in retaliation for the Sept. 1 downing of a Korean Air Lines jetliner with 269 people aboard.

Ueberroth also discounted speculation that the Russians would boycott the Olympics because of the controversy over the plane. The Russians, he said, spend years preparing for the Olympics, the quadrennial pinnacle of their national sports program, and that it was unlikely they would forgo an opportunity to participate.

Besides, he said, "they have the best team."

NFL Jets to Move To Giants Stadium

The Associated Press

NEW YORK — The New York Jets of the National Football League will move to Giants Stadium in East Rutherford, New Jersey, at the end of the season. Mayor Edward I. Koch said Wednesday that the city is giving up its fight to keep the Jets at Shea Stadium, where they have played since 1964.

The team has been dissatisfied with the conditions at Shea and with its lease, which it says is far less favorable than that held by baseball's New York Mets. The Jet lease expires after this season.

In moving across the Hudson River, the Jets follow the New York Giants, who began play at Giants Stadium when it opened in 1976.

The Jets do not need NFL approval since they will remain within the territorial boundaries set by the league's bylaws.

Transition

BASEBALL
National League

CHICAGO—Acquired Terry Leach, pitcher, from the New York Mets for Jim Adaczok, pitcher, and Mitch Cook, pitcher.

BASKETBALL
National Basketball Association

DALLAS—Signed Dale Ellis, forward, to a five-year contract.

N.Y. KNICKS—Cut Edmond Sherrod, guard.

FOOTBALL
National Football League

N.Y. JETS—Placed Freeman McNeil, running back, on the injured reserve list. Signed George Lilja, center.

Canadian Football League

MONTREAL—Acquired Terry Lehne, defensive back, on waivers from Toronto.

HOCKEY
National Hockey League

LOS ANGELES—Sent Markus Mattsson, goaltender, to New Haven of the American Hockey League. Released Robert Martin, forward.

COLLEGE

BIG TEN—Named Dr. Clarence W. Underwood Jr. assistant commissioner.

PAGES 24 & 20 FOR MORE CLASSIFIEDS

ART BUCHWALD

No Joy at the Yacht Club

WASHINGTON — I was invited to the New York Yacht Club for lunch the other day by Wellington Spinnaker III.

Since I hadn't been there before, I didn't know what to expect. The lobby was all decorated in black crepe and grown men were sitting in overstuffed chairs, wiping tears from their eyes.

"They seem to be taking the America's Cup loss pretty hard," I said.

"Wouldn't you if you had lost something that was in the family for 132 years?" Wellington said bitterly.

Buchwald

"It's just a little old cup. Why doesn't the club order a new one from Tiffany's to put in the glass case?" I said.

"You apparently don't appreciate the significance of the Australian victory. It means America no longer rules the waves."

"It could have been worse. The Russians could have won it. At least Australia is a stalwart ally."

"Not in this club, she isn't," said Wellington. "The New York Yacht Club members may forget, but they never forgive."

•

"Oh, for heaven's sakes," I told him. "It was just another sailboat race. I'm not much of a sailor but I figure as long as you have a good wind at your back and a case of beer, it doesn't matter who crosses the line first."

"Would you keep your voice down?" Wellington muttered. "Many of our members are armed."

"I'm sorry. I didn't know the America's Cup meant so much to the club. Tell me, why didn't the Liberty use her motor when she saw she was going to lose the final race?"

"The Liberty doesn't have a motor, stupid," Wellington whispered in a harsh voice.

"Well, that's rather dumb, isn't it? How did they expect to beat the Aussies without a motor?"

"Look, would you do me a favor and shut up if you don't know what you're talking about?" Wellington said.

"I may not know much about sailing," I said. "But I do know that if you put a shroud over your keel when you're in port, you always have a better chance of winning a race. Why didn't you people put a shroud over your keel?"

"Because we had nothing to hide. They double-crossed us by having a winged keel, but they didn't want us to see it. I never trusted the Aussies since Pearl Harbor," Wellington huffed.

"They say the koala bear is really a dirty little animal," I said, hoping to cheer him up.

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Suddenly an old man in an overstuffed chair got up, took a silver-plated pistol out of his pocket and shouted, "*I have nothing to live for anymore!*"

Two of the younger members grabbed him. "Easy, Josiah, we still haven't heard from the protest committee."

Josiah sat back in his chair and sobbed, "We had them three to one. They stole our wind."

"I guess you people aren't too happy about the ballast decision either."

Wellington said, "This club will never be the same again. We'll be fighting amongst ourselves for the rest of our lives."

"It must be a terrible thing to live with," I told him. "But there's always a next time, and I'm sure you people will come up with a better keel by then."

"But in the meantime the Aussies have OUR cup," Wellington said.

•

A member came up. "Did you hear about Tippy Vandership?" he *said to Wellington.*

"What happened?"

"He went up to the Bronx Zoo with his shotgun and tried to bag a kangaroo."

"Poor Tippy. The last time I talked to him he wanted me to go with him and throw a brick through the plate glass window of Qantas Airlines," Wellington said.

The waiter came over to take our order.

"How's the flounder?" I asked Wellington.

He didn't laugh.

Jerome Robbins

City Ballet's 'Senior Adviser' Rides the Crest Of a Sustained Creative Wave

By David Stevens
International Herald Tribune

PARIS — This must have been a traumatic year for the New York City Ballet, with the final illness and death of George Balanchine, its creator and creative spirit, but it is not evident from watching the company on stage.

Both in New York and in Europe, where the company is in the final week of a six-week tour that has taken it to London, Copenhagen and Paris, experienced NYCB watchers seem to agree that it has rarely looked better. The troupe was in splendid condition in the first of its four tour programs at the Théâtre Musical de Paris/Châtelet, dancing with exuberance and elegance and a corporate sense of purpose.

Even the program was a kind of manifesto, a promise of continuity and a commitment to renewal. It concluded with Balanchine's "Symphony in C," a celebration of Bizet that he created for the Paris Opéra Ballet in 1947, but which has long been something of a signature piece for the New Yorkers, who dance it as no others can — in tempo. And this was preceded by "Glass Pieces," a major work by Jerome Robbins to music by Philip Glass that had its premiere last May in New York.

"I think Mr. Balanchine left not only the legacy of his ballets," Robbins said here the other day by way of defining the company's spirit, "but a legacy of dedication to a kind of dancing that pervades the entire company. Although his corporal presence is not with us, his spirit is.

"No other American company is as large as ours, but I have never seen it so cohesive. They have the kind of spirit you find in small companies. I guess they feel responsible to their inheritance and want it to be better than ever — what he taught us was so strong.

"After all," he said after a reflective pause, "Christianity didn't die with Christ's death."

Robbins shied from any attempt to look into the company's future, but he touched on some of the determining factors. "There won't be the continuity of the wonderful works Mr. Balanchine did; we will keep whatever he made as close as we can to the way they were. The school [School of American Ballet] provides us with such exciting young dancers, full of fresh energy. And there is a repertory of living masterpieces."

Indeed, a substantial number of those living masterpieces are by Robbins, a compact and alert man who will be 65 next month, and whose association with the company dates from its earliest years. As co-ballet master in chief (with Peter Martins) he is one of the company's principal artistic caretakers.

"I saw a performance and I wanted to be part of it," Robbins recalled of how he came to join the NYCB and Balanchine in the late 1940s. For a decade until 1959 he was associate artistic director, producing such works as "Age of Anxiety," "The Cage" and "Afternoon of a Faun." After a 10-year absence from the company, during which he pursued a variety of other activities, he returned in 1969 with "Dances at a Gathering," his set of exquisite dances to Chopin piano pieces, and soon thereafter the richly inventive "Goldberg Variations." The company's needs, including its celebrated Stravinsky, Ravel and Tchaikovsky festivals, have continued to draw from him works of wide-ranging versatility.

The 36-year-old Martins, who began to choreograph several seasons ago, is retiring from dancing to concentrate on the day-to-day operation of the company. Robbins sees his role as a kind of "senior adviser," but clearly it is on his shoulders that the City Ballet's reputation as a creative organization will be resting. So much the better, then, that Robbins seems to be riding the crest of a sustained creative wave.

This year, besides "Glass Pieces," he has produced another large-scale work for the company, "I'm Old Fashioned," a set of musical and choreographic variations (with the composer Morton Gould) on a duet by Fred Astaire and Rita Hayworth to the Jerome Kern song from the 1942 movie, "You Were Never Lovelier." The complexity of the production kept it from being included in the European tour repertory, in which, besides "Glass Pieces," Robbins is represented by two other recent works, "Piano Pieces" (1981) set to Tchaikovsky, and "Gershwin Concerto" (1982), which uses that composer's Piano Concerto in F.

Still, Robbins has the reputation of being a painstaking creator, and that is unlikely to change. "To do new ballets just for the novelty is not a good idea because they can backfire. You can announce a lot of things and have it not add up to one boiled egg, especially in our company, where the stature of what exists is so high."

The collaboration with Glass, one of the leading practitioners of "repetitive" or "minimalist" music, came about because of a mutual fascination with the life of Akhnaten, the Egyptian ruler who introduced monotheism and revolutionized Egyptian religious practices. Glass is writing an opera on the subject, due for its premiere in Stuttgart next year, and he wanted Robbins to stage the American premiere. Schedule conflicts scuttled that idea, but meanwhile the choreographer went ahead with a set of dances as a way coming to grips with Glass's music.

The result is a large-scale work in three parts, in which the corps de ballet seems to be the visible representation of the repetitive aspects of Glass's music, interspersed and given dramatic profile by duos in the first two pieces. In the second, Maria Calegari and Bart Cook won an ovation in Paris for their long duet to a repeated melody, while the corps moves across the back of the stage in a shifting, rhythmic motion. The final section of the ballet, actually set to the music for the opening scene of the opera, is a violently percussive piece that Robbins sees as "tribal" in character, set for the corps.

Robbins insists that he did not have any scenario in mind when he set this music, and on one level it is an exemplar of the Balanchine dictum according to which one should be able to see the music and hear the dance. Yet, "Glass Pieces" gives the feeling of having an unspecified dramatic content, perhaps in an urban landscape, lyrical against a background of latent violence.

For now, Robbins says, "everybody knows that I won't do new works for another company, that I won't go outside my own home." He spoke, with a smile of anticipation, of the possibility of choreographing a work next spring with Twyla Tharp, whose "tremendous energy" he admires.

Robbins and Balanchine choreographed several works together over the years, but there, he said, "the point was to make it as seamless as possible. Twyla and I are after something else."

Martha Swope

Robbins rehearses Bart Cook and Maria Calegari in "Glass Pieces."

PEOPLE

15 Billionaires Top Li[st] Of Richest Americans

Forbes magazine ranked the 4[00] richest Americans in its fall 19[83] issue. At the summit are 15 billi[on]aires, 13 men and two women, [...] of them living in Texas. Here, st[art]ing from the top, are the billi[on]aires, four of them members of [the] Hunt family: **Gordon Peter Ge[tty]**, 49, San Francisco, son of oilm[an] **Jean Paul Getty**, minimum [net] worth $2.2 billion; **Sam M. Walt[on]**, 65, Bentonville, Arkansas, found[er of] Wal-Mart Stores, minimum [net] worth $2.15 billion; **Daniel K[eith] Ludwig**, 86, New York City, kno[wn] as "father of the supertanke[r]," minimum net worth believed [to] exceed $2 billion; **David Packa[rd]**, 71, Los Altos Hills, Californ[ia,] founded computer firm of Hewle[tt-]Packard, minimum net worth [at] least $1.85 billion; **An Wang**, 6[3,] Lincoln, Massachusetts, founder [of] Wang Laboratories Inc., minim[um] net worth $1.6 billion; **Nelson B[un]ker Hunt**, 57, Dallas, oil and [real] estate magnate, son of **H.L. Hu[nt]**, minimum net worth $1.4 billi[on;] **Caroline Hunt Schoellkopf**, 60, D[al]las, daughter of H.L. Hunt, mi[ni]mum net worth $1.3 billion; **Ross Perot**, 53, Dallas, founder a[nd] chief executive officer of Electr[onic] Data Systems, minimum net w[orth] more than $1 billion; **Marg[aret] Hunt Hill**, 68, Dallas, daughter [of] H.L. Hunt, minimum net wo[rth] with children's trusts, $1 billi[on;] **George P. Mitchell**, 64, Housto[n,] oil and real estate magnate, mi[ni]mum net worth at least $1 billio[n;] **Forest E. Mars Sr.**, 79, McLea[n,] Virginia, controls Mars, In[c.,] world's largest confectioner, mi[ni]mum net worth at least $1 billio[n;] **David Rockefeller**, 68, Tarrytow[n,] New York, in banking and re[al] estate business, grandson of **Jo[hn] D. Rockefeller**, minimum n[et] worth more than $1 billion; **Phil[ip] F. Anschutz**, 44, Denver, oilma[n,] minimum net worth could still [be] $1 billion; **William Herbert Hu[nt]**, 54, Dallas, son of H.L. Hunt, min[i]mum net worth, including a[...] trusts, $1 billion, and **Marvin D[a]vis**, 57, Denver, oilman, minimu[m] net worth may still be $1 billio[n.] The 400 richest Americans inclu[de] the comedian **Bob Hope**, whose n[et] worth, "despite denials, excee[ds] $200 million," Forbes said. Al[so] listed is **Yoko Ono**, widow of t[he] slain Beatle **John Lennon**. Wh[en] Lennon died he left a fortune of, [at a] minimum, $150 million, Forb[es] said.